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ASSESSMENT OF THE IMPACT OF ACCOUNTING POLICY ON BUSINESS EXPENDITURE AND FINANCIAL PERFORMANCE OF AN ENTERPRISE

Abstract: The efficiency of accounting at an enterprise depends on the level of its organization. Market relations development in Ukraine, specifics of different forms of ownership and expansion of economic relations of a company with foreign partners, and management awareness of accounting information for business management requires the development and application of accounting policy which the enterprise determines independently, taking into account the provisions of the current legislation and accounting standards. The choice of a set of methodological techniques, methods and procedures for the organization and accounting of the enterprise is an important component in the formation of this policy. Carefully considered accounting policy ensures effective financial and economic activity of the enterprise. When developing accounting policy and methods, businesses should consider their impact on the amounts of expenses or income recognized and on the financial performance of the business. The accounting policy of the enterprise significantly affects the values of the cost of production and profit itself, taxes on profit, value added and property, as well as general indicators of financial and economic activity. The goal of this research is to determine the features of the formation of the enterprise's own accounting policy and the main elements of its influence on the amount of expenses and financial performance. To achieve this goal, the following tasks were solved:

- the establishment of elements of accounting policy that may affect the costs and financial performance of the enterprise;
- analysis of the impact of accounting policy on the amount of expenses, financial performance and income tax paid by the enterprise;
- reasoning of ways to improve the formation process of accounting policy and the selection of its elements in terms of reducing the tax burden on the enterprise.

The impact of accounting policy elements, such as depreciation expenses, methods of writing off inventories, accruing doubtful debt reserves, assessment of carrying value of currency on the costs and financial performance of the enterprise, is carried out.

Keywords: accounting policy, expenses, accounting policy elements, financial performance, profit, income tax.

1. Introduction

Accounting is an important part of the enterprise management system. Without accurate and reliable accounting it is impossible to make sound management decisions and properly regulate the processes of production, distribution, exchange and consumption, meet the needs of internal and external users for information, identify reserves for improving production efficiency, etc. Accounting as one of the components of the management system provides important information that allows you to control the current financial and economic activity of the enterprise, to plan its tactics and strategy development in the future, to optimally use available production resources and to evaluate the performance of the enterprise.

The efficiency of accounting at the enterprise depends on the level of its organization. Market relations development in Ukraine, specifics of different forms of ownership and economic relations expansion of a company with foreign partners, and management awareness of accounting information for business management require the development and application of accounting policy which the enterprise determines independently, taking into account the provisions of the current legislation and accounting standards.

The choice of a methodological techniques set, methods and procedures for the organization and accounting of an enterprise is an important component in the formation of this policy. Carefully considered accounting policy ensures effective financial and economic activity of the enterprise. When developing accounting policy and methods, enterprises should consider their impact on the amount of expenses or income recognized and on the financial performance of the business.

The accounting policy of the enterprise significantly affects the values of the production cost and profit, taxes on income, value added and property, as well as the overall indicators of financial and economic activity.

Scientists have paid special attention to the accounting policy impact on the accounting and financial statements of companies. This issue was investigated in writings of such scientists as T.V. Baranovskaia, O.V. Budko, S.F. Golov, A.G. Zahorodniy, V.V. Kovalev, M.V. Kuzhelnyy, G.I. Kuzmenko, Ya.V. Lebedevich, V.G. Linnik, V.M. Oliynychuk, V.Ya. Olikhovsky, G.O. Partin, M.S. Pushkar, Ya.V. Sokolov, etc. (Budko 2010; Zahorodniy and Partyn 2004; Kuzhelnyy and Linnyk 2001; Kuzmenko 2011; Lebedevich 2011; Linnik et al. 2018; Pushkar 2004; Pushkar and Shchyrba 2010).

There are also alternative approaches to interpret the nature of accounting policy and their impact on the financial and economic performance of an enterprise. In particular, this is reflected in writings of such scientists as: T.I. Dziordz, P.Ye. Zhitny, A.A. Kasich, V.D. Kubik, V.A. Kulik, S.F. Legenchuk (Dziordz and Brykaylo 2017; Zhitny 2009; Zhitny 2007; Kasich and Onyshchenko 2013; Kubik 2015; Kulik 2014; Legenchuk 2017).

The main purpose of the research is to justify ways to improve the process of accounting policy and the choice of its elements in terms of reducing the tax burden on the enterprise. In the future, this will allow to choose an effective scheme for accounting and tax registration, reduce financial and tax risks, and optimize the taxation scheme, which will ultimately ensure the proper effectiveness of economic decisions and business activity of the enterprise.

2. Presentation of basic material of the research

For the formation of an accounting system and its management at an enterprise the formation of an appropriate tool for regulating methodological, organizational, technical, technological and other issues is becoming increasingly important (Kolos 2009). This tool is a properly formed and approved accounting policy.

In today's economic development, every enterprise needs a sound approach to accounting policy. The choice of a set of methodological ways, techniques and procedures of organization and accounting of an enterprise is an important component in the process of its formation. Carefully considered accounting policy ensures efficient financial and economic activity of the enterprise as well as the maximum effect of accounting work. In accounting policy methods and principles development an enterprise should consider its impact on the amounts of recognized expenses and income as well as its financial performance.

To determine the magnitude of accounting policy impact on the costs and financial performance of the enterprise we have investigated: depreciation expenses, writing off inventories methods, accrual of doubtful debts and the valuation of the carrying value of currency. The basis for the research are the financial and economic indicators of the limited liability company Decor, the main purpose of which is the production and sale of peeled veneer – the main semi-finished plywood.

The method of accounting for fixed assets is one of the most important elements of accounting policy that influences the value of financial performance, in particular the choice of method of depreciation. The use of accelerated depreciation methods of production fixed assets leads to an increase in the production cost and a decrease in the amount of profit, and consequently the income tax. The straight-line method also ensures equal cost and therefore a comparable financial performance in different periods at equal volumes of production.

The object of the research is a veneer rib gluing machine for veneer MH 1109 acquired by the enterprise in 2015. According to the accounting policy adopted by the enterprise, it is provided that:

- the liquidation value of fixed assets is zero;
- the depreciation method – straight-line;
- the useful life for machinery and equipment is 5 years.

To obtain the final results and to determine the impact of the selected method of depreciation on the financial performance of the enterprise it would be advisable to calculate the amount of depreciation by all the statutory methods for 2015-2019 (table 1). Based on the data in the table 1 you can see differences in the distribution of depreciation charges over the period of using the item.

Table 1. Calculating of depreciation per machine for 2015-2019

Calculating of depreciation method	Calculation formula	Depreciable cost (UAH)	Year – Amout (UAH)	Amount of accrued depreciation for the period of use of the object (UAH)
Straight-line method	Annual depreciation amount = Depreciable cost (IV – LV): Useful life	127,500	2015 – 25,500 2016 – 25,500 2017 – 25,500 2018 – 25,500 2019 – 25,500	127,500
Reducing of residual value method	Annual Depreciation Amount = RV of Objects at the Beginning of the Reporting Year or IV at the Date Depreciation Started: Annual Depreciation Rate Annual depreciation $(1 - \sqrt[5]{LV : IV}) \cdot 100\%$		Since the liquidation value of the fixed assets objects according to the adopted accounting policy is zero, the calculation of depreciation using this method is inappropriate	
Method of accelerated reduction of residual value	Annual Depreciation Amount = RV at the Beginning of the Reporting Year or IV at the Date Depreciation Started: Annual Depreciation Rate Annual depreciation rate = 100%: Useful life	127,500	2015 – 51,000 2016 – 30,600 2017 – 18,360 2018 – 11,016 2019 – 16,524	127,500
Cumulative method	Annual depreciation amount = Amortized cost: Cumulative method Cumulative method = Number of years remaining until the end of the useful life of an object	127,500	2015 – 42,500 2016 – 34,000 2017 – 25,500 2018 – 17,000 2019 – 8,500	127,500

Calculating of depreciation method	Calculation formula	Depreciable cost (UAH)	Year – Amount (UAH)	Amount of accrued depreciation for the period of use of the object (UAH)
Production method	Production Depreciation Rate = Depreciable Cost: The total amount of production (works, services) that an enterprise expects to produce (perform) using an FA objects Annual Depreciation Amount = Actual Annual Amount of Products (Works, Services) · Production Depreciation Rate	127,500	2015 – 18,924 2016 – 22,952 2017 – 25,576 2018 – 27,424 2019 – 35,962	127,500

Source: the authors' own development based on the documentation of the researched unit.

The application of the straight-line method implies that the cost of the item of property, plant and equipment is equal in whole throughout its life. Despite the even distribution of depreciation amounts between periods of use of the fixed asset, this method does not take into account the moral deterioration of the object, does not show a real estimate of the production capacity of fixed assets in different years of operation, does not always provide a complete transfer of the value of objects on the newly created product, which is a direct loss for the enterprise.

The method of accelerated decrease in residual value causes an increase in costs in the first year of use and each year the amount of depreciation accrues, therefore the value of the financial performance increases.

The cumulative method has a similar effect on the cost. That is, in the first years of depreciation expenses will be higher. The lesser time it takes to use an item, the less the amount of depreciation will be and thus the financial performance will increase.

The production method of calculating depreciation does not give a definite answer since the amount of accruals depends on the volume of manufactured products and it is unstable and difficult to predict. In our case, the increase in output has led to an increase in the amount of accruals each year.

Depreciation is one of the most important components of production costs and a significant influence on the financial and economic performance of an entity. Therefore, it is necessary to analyse the structure of depreciation (using the methods prescribed by the regulatory document (Ministerstvo finansiv Ukrainy 2000b) in the cost of sales).

For analysis we used only three methods (table 2) since the reducing of residual value method in the calculation of the amount of depreciation implies the use of liquidation value, which according to the approved accounting policy of LLC Decor is zero. As a result, fixed assets are written off using this method in the first year of operation.

Table 2. Dynamics and structure of depreciation expenses as part of the cost of goods sold by LLC Decor for 2015-2019

Indicator	Indicator value				
	2015	2016	2017	2018	2019
	Amount, (thousands UAH) Structure (%)	Amount, (thousands UAH) Structure (%)	Amount, (thousands UAH) Structure (%)	Amount, (thousands UAH) Structure (%)	Amount, (thousands UAH) Structure (%)
Depreciation expenses calculated using:					
straight-line method	125.2 4.25	192.1 5.03	354.8 5.09	547.5 4.43	783.8 3.89
method of accelerated reduction of residual value	300.5 10.21	384.2 10.1	425.8 6.12	394.2 3.19	338.6 1.68
cumulative method	247.9 8.42	319.8 8.38	473.7 6.81	547.5 4.43	521.2 2.59
Cost of goods sold	2,943.2 100.00	3,816.3 100.00	6,959.6 100.00	12,370.1 100.00	20,154.3 100.00

Source: the authors' own development based on the documentation of the researched unit.

Due to the inability to establish a real output of the enterprise, the use of a production method of depreciation is also impossible.

By analysing the impact of depreciation by different methods one can observe an ambiguous situation. An analysis of the dynamics of depreciation of LLC Decor showed that the use of the straight-line method results in an increase in the value of the deductions. However, in 2016, depreciation using this method was the smallest compared to other methods. At the same time, the use of the method of accelerated reduction of residual value in the first years of the use of fixed assets is the largest (384.2 thousands UAH in 2016) but by 2019 these deductions have decreased compared to other methods.

Also, using the cumulative method does not give an unambiguous answer since during the useful life of the objects the deduction data, compared to other methods, is average.

An analysis of depreciation expenses structure has shown that in 2015 the largest part is the deduction expenses by the method of accelerated reduction of residual value, and the smallest by the straight-line method. However, the situation is the opposite in 2019.

Therefore, in order to determine the effectiveness of the method chosen by the enterprise it is advisable to determine the depreciation expenses impact calculated by different methods on the amount of costs and financial performance of LLC Decor

activity. The results of depreciation methods impact (compared with the straight-line method) on the amount of costs and the financial performance are presented in table 3.

Table 3. Depreciation methods impact on the amount of costs and financial performance of LLC Decor in 2019

Indicator	Indicator value
1. Percent of depreciation expenses in the cost of goods sold – goods, works, services (see table 2, %):	3.89
1.1. Straight-line method (SM)	
1.2. Method of accelerated reduction of residual value (MARRV)	1.68
1.3. Cumulative method (CM)	2.59
2. Excess of depreciation expenses with a similar indicator by SM (%):	$3.9 - 1.68 = 2.21$
2.1. MARRV (p. 1.1 – p. 1.2)	
2.2. CM (p. 1.1 – p. 1.3)	$3.89 - 2.59 = 1.3$
3. Cost savings in the cost of goods sold (20,154.3 thousands UAH) for depreciation expended compared to SM (thousands UAH):	$20,154.3 \cdot 2.21 / 100 = 445.41$
3.1. MARRV	
3.2. CM	$20,154.3 \cdot 1.3 / 100 = 262$
4. Financial performance of enterprise activity using SM – l. 2290, f. №2 (thousands UAH)	420
5. Change in financial performance compared to SM (thousands UAH):	$420 + 445.41 = 865.41$
5.1. MARRV (p. 3.1 + p. 4)	
5.2. CM (p. 3.2 + p. 4)	$420 + 262 = 682$
6. The amount of accrued income tax using the SM (l. 2300, f. №2)	75.6
7. Change in the amount of accrued income tax compared to SM (thousands UAH):	$865.41 \cdot 18 / 100 = 155.77$
7.1. MARRV (p. 5.1 · 18 / 100)	$155.77 - 75.6 = 80.17$
7.1.1. (p. 7.1 – p. 6)	
7.2. CM (p. 5.2 · 18 / 100)	$682 \cdot 18 / 100 = 122.79$
7.2.1. (p. 7.2 – p. 6)	$122.79 - 75.6 = 47.19$
8. Net profit (l. 2350, f. №2)	344.4
9. Change in net profit compared to SM (thousands UAH):	$865.41 - 155.77 = 709.64$
9.1. MARRV (p. 5.1 – p. 7.1)	$709.64 - 344.4 = 365.24$
9.1.1. (p. 9.1 – p. 8)	
9.2. CM (p. 5.2 – p. 7.2)	$682 - 122.79 = 559.21$
9.2.1. (p. 9.2 – p. 8)	$559.21 - 344.4 = 214.81$

Source: the authors' own development based on the documentation of the researched unit.

The impact of the reducing of residual value method and of the cumulative method on the costs and on financial performance of the enterprise is significant. Generalized results of the impact are presented in table 4.

Table 4. Generalization of depreciation methods impact on costs and financial performance of LLC Decor in 2019

Change of indicator	Indicator value (thousands UAH)	
	Reducing of residual value method	Cumulative method
Cost savings	445.41	262.00
Increase in financial result before tax	445.41	262.00
Increase in income tax	80.17	47.19
Net profit increase	365.24	214.81

Source: the authors' own development based on the documentation of the researched unit.

However, using the depreciation methods shown in table 2 in, for example, 2015, would increase costs to such an extent that at the end of the reporting period the enterprise would receive a loss. Therefore, the management of LLC Decor should decide which period of its economic activity requires an increase in expenses precisely due to depreciation expenses.

Thus, the rational application of depreciation policy in an enterprise is an important element of its financial management as it allows to expand production volumes.

An important and significant part of the assets of an enterprise necessary for carrying out economic activity are production inventories which in terms of economic content are the objects of labor, serve a single production cycle and completely transfer their value to the cost of finished products. Inventories are an integral part of an enterprise's assets and have a significant impact on its financial performance since they are a major proportion of the cost structure. Reflecting them in accounting, in particular their valuation on disposal, is then a particularly important issue. After all, the result reflected in the primary inventory accounting directly affects the final financial performance of the enterprise (Holovatska and Burdeyna 2015).

To test the effectiveness of the selected method of estimating the disposal of inventories we will conduct a study comparing the write-downs of inventories by the methods of identified cost, FIFO and weighted average cost (Ministerstvo finansiv Ukrainy 1999b). Considering the impossibility of establishing the rate of cost per unit of manufactured goods and the lack of a large number of goods nomenclature, the use of regulatory cost methods and the sale price for LLC Decor is not appropriate.

The method of estimating the disposal of inventories at LLC Decor, in accordance with the accounting policy adopted, is the FIFO method which is based on the assumption that the inventories are used in the order in which they were received by the enterprise.

LLC Decor is engaged in the production of peeled veneer for which the main material is beech I grade. Having carried out research in the price sphere, the cost of such raw materials as of 2019 fluctuates within 3,500-5,000 UAH per cubic meter. Based on the indicators given in these appendices we will calculate the contingent write-down of inventories for 2019 (table 5).

Table 5. Disposal of inventories of LLC Decor for 2019

Method of estimating disposal of inventories	Inventory write-off date	Disposal		Balance	
		Quantity (m ³)	Amount (UAH)	Quantity (m ³)	Amount (UAH)
FIFO	12.03	23	80,500	2	7,000
	02.06	47	178,000	13	49,400
	19.08	79	353,000	7	32,200
	03.12	24	115,500	4	19,600
	Total	173	727,000	x	
Identified cost	12.03	23	80,500	2	7,000
	02.06	47	178,600	13	48,800
	19.08	79	358,000	7	26,600
	03.12	24	114,300	4	15,200
	Total	173	731,400	x	
Weighted average cost	12.03	23	80,500	2	7,000
	02.06	47	178,130	13	49270
	19.08	79	353,727	7	31,343
	03.12	24	115,065	4	19,178
	Total	173	727,422	x	

Source: the authors' own development based on the documentation of the researched unit.

Analysing the calculations in table 5, it can be argued that if an enterprise wishes to increase its costs by the amount of inventories written off it is advisable to choose the method of identified cost. However, the use of this method implies the availability of warehouses for the separate storage of each batch of stocks and the organization of natural-value accounting of stocks by their names, which causes difficulties in the use of the method of identified cost at the enterprise.

The next largest cost increase is the weighted average cost method. If this method is used, the costs will increase and at the same time the financial results of the activity of LLC Decor will decrease. This method can be used by companies with a large stock list. And given that our society is characterized by a small number of raw materials, this method is not relevant here.

From our calculations, it is precisely when using the FIFO method that the company can least affect its financial performance. However, this method can evenly and significantly distribute the cost of inventories and have a significant impact on the company's costs.

Therefore, given our calculations and assertions, the company's preferred method of estimating the disposal of inventories, namely FIFO, is the most appropriate.

Since inventories are one of the main components of the formation of finished goods cost there is a need to analyze the structure of written off inventories (using different evaluating methods at their disposal) in the cost of goods sold (table 6).

Table 6. Structure of inventories in the cost of goods sold by LLC Decor in 2019

Indicator	Indicator value	
	Amount (thousands UAH)	Structure (%)
Cost of written off inventories, using the method:		
FIFO	9,451.2	46.89
identified cost	9,734.7	48.30
weighted average cost	9,545.7	47.36
Cost of goods sold (goods, works, services)	20,154.3	100.00

Source: the authors' own development based on the documentation of the researched unit.

The main problem that arises when determining the best method for measuring inventory for an enterprise is that these methods affect both the statement of financial performance and the balance sheet.

Therefore, in order to determine the efficiency of the method of estimating the disposal of inventories chosen by the company, it is advisable to determine the impact of their value, calculated by different methods on the amount of costs and financial performance of LLC Decor. The results of the impact of other methods of disposal of inventories on the amount of expenses and on financial performance (compared with the FIFO method) are presented in table 7.

Table 7. Disposal of inventories assessment methods impact on amount of expenses and financial performance of LLC décor in 2019

Indicator	Indicator value
1. Percent of inventories used in the cost of goods sold – goods, works, services (see table 6, %):	46.89
1.1. FIFO method (FM)	
1.2. Identified cost method (ICM)	48.30
1.3. Weighted average cost method (WACM)	47.36
2. Excess percent of used inventories with a similar indicator using FM (%):	$48.30 - 46.89 = 1.41$
2.1. ICM (p. 1.2 – p. 1.1)	
2.2. WACM (p. 1.3 – p. 1.1)	$47.36 - 46.89 = 0.47$
3. Cost increase in the cost of goods sold (20154,3 thousands UAH) through the use of inventories compared to FM (thousands UAH):	$20,154.3 \cdot 1.41 / 100 = 284.18$
3.1. ICM	
3.2. WACM	$20,154.3 \cdot 0.47 / 100 = 94.73$
4. The financial performance of the enterprise using FM – 1. 2290, f. №2 (thousands UAH)	420
5. The change in the financial performance compared to FM (thousands UAH):	$420 - 284.18 = 135.82$
5.1. ICM (p. 4 – p. 3.1)	
5.2. WACM (p. 4 – p. 3.2)	$420 - 94.73 = 325.27$
6. The amount of accrued income tax using FM (l. 2300, f. №2)	75.6

Indicator	Indicator value
7. The change in the amount of income tax compared to FM (thousands UAH):	
7.1. ICM (p. 5.1 · 18 / 100)	$135.82 \cdot 18 / 100 = 24.45$
7.1.1. (p. 6 – p. 7.1)	$75.6 - 24.45 = 51.15$
7.2. CM (p. 5.2 · 18 / 100)	$325.27 \cdot 18 / 100 = 58.54$
7.2.1. (p. 6 – p. 7.2)	$75.6 - 58.54 = 17.06$
8. Net profit (l. 2350, f. №2)	344.4
9. Change in net profit compared FM (thousands UAH):	
9.1. ICM (p. 5.1 – p. 7.1)	$135.82 - 24.45 = 111.37$
9.1.1. (p. 8 – p. 9.1)	$344.4 - 111.37 = 233.03$
9.2. WACM (p. 5.2 – p. 7.2)	$325.27 - 58.54 = 266.73$
9.2.1. (p. 9.2 – p. 8)	$344.4 - 266.73 = 77.67$

Source: the authors' own development based on the documentation of the researched unit.

The impact of inventory valuation techniques on the financial reporting performance and profitability of LLC Decor is significant.

Using the identified cost method as compared to the FIFO method, the enterprise would be able to increase its expenses by 284.18 thousands UAH. As a result, this will reduce the value of the financial performance by 284.18 thousands UAH and net profit by 233.03 thousands UAH. The saving of the amount of income tax paid by the enterprise in the amount of 51.15 thousands UAH is positive in this case.

If the weighted average cost method is used, compared to the FIFO method, the enterprise would be able to increase the amount of expenses by 94.73 thousands UAH. The increase in expenses will result in the decrease of the financial result by 94.73 thousands UAH and net profit by 77.67 thousands UAH. However, we will receive a savings on payment of income tax in the amount of 17.06 thousands UAH.

Thus, using the FIFO-approved method of estimating the disposal of inventories in the accounting policy, LLC Decor will ultimately receive a uniform increase in the value of expenses and net profit. Other methods, however, will increase costs evenly and reduce the amount of profit the enterprise receives. Therefore, management should independently determine which of the following options suits it best. But given the specificity of production, the type of raw materials used for the production of goods and their small nomenclature, the method chosen is the most optimal and effective.

In modern business conditions, the presence of receivables is an objective necessity. Therefore, its reliable and economically sound reflection in accounting affects the adoption of effective management decisions. The concept of accounts receivable is inextricably linked to the concept of the allowance for doubtful debts, which is calculated only for that part of the receivables that is a financial asset, that is, arose as a result of ordinary business (this category does not include acquired debt and debt held for sale) and current receivables debt.

The choice of method for determining the allowance for doubtful debts has a significant impact on the formation of financial performance. Accounting Standard 10 “Accounts Receivable” provides for two methods for calculating such a reserve – the

use of the absolute amount of doubtful debts and the doubtfulness coefficient (Ministerstvo finansiv Ukrainy 1999a). Each of these methods affects in its own way the amount of expenses. It should be noted that the use of any of the methods for calculating the reserve for doubtful debts is perhaps the most subjective moment because there are no norms or basic indicators.

Taking into account the small number of debtors of LLC Decor and in accordance with its accounting policy, the method of absolute amount of doubtful debt is used in calculating the reserve of doubtful debts. This method is simple to calculate and does not require coefficients and statistics. In this case, the amount of the reserve equals the amount of debt of debtors whose solvency is doubtful. Such debt is recognized as doubtful debt and a reserve is created for that amount.

Considering that the procedure for creating a reserve by the absolute amount method of doubtful debts has not been established and there are unresolved issues regarding the creation of a reserve at the beginning of the reporting period and its further adjustment, we will calculate the allowance for doubtful debts using the doubtfulness coefficient. This coefficient should be calculated on the basis of the proportion of doubtful debts in net income from the goods sold (goods, works, services) on the basis of subsequent payment (formula 1):

$$DC = \frac{D_{ar}}{NP_{rp}}, \quad (1)$$

where: DC – the coefficient of doubtfulness, determined by the proportion of doubtful debts in net income,

D_{ar} – the amount of doubtful accounts receivable for a period of n years,

NP_{rp} – the amount of net profit from realization over a period of n years.

The period during which the calculation is carried out is set by the enterprise independently. In our case, data from the four previous reporting periods were used to calculate the doubt ratio in 2019 (table 8).

Table 8. Calculation of the reserve for doubtful debts in 2019

Indicator	Indicator value				
	2015	2016	2017	2018	2019
Initial indicators					
The amount of receivables (for products, goods, works, services), recognized as doubtful (thousands UAH)	4,118.6	5,157.2	8,295.2	13,719.0	22,309.8
The amount of receivables for products, goods, works, services, recognized as doubtful (thousands UAH)	30,8	42,5	67,1	62,9	79,4

Indicator	Indicator value				
	2015	2016	2017	2018	2019
Estimated indicators					
Coefficient of doubtfulness	-	-	-	-	0.006
Deductions for the creation of a reserve for doubtful debts (thousands UAH)	-	-	-	-	133,9

Source: the authors' own development based on the documentation of the researched unit.

Thus, our calculations show that when using the doubtfulness factor the amount of the allowance for doubtful debts is larger by 54.4 thousands UAH (133.9 – 79.4) than when using the method of the absolute amount of doubtful debts.

Given that the creation of a reserve for doubtful debts is included in other operating expenses of the enterprise, it will be advisable to calculate the percent of these deductions as part of expenses using both methods. The calculation results are presented in table 9.

Table 9. Percent of doubtful debt reserve in other operating expenses of LLC Decor in 2019

Indicator	Indicator value	
	Amount (thousands UAH)	Structure (%)
Reserve for doubtful debts accrued using methods:		
the absolute amount of doubtful debt	79.4	4,54
coefficient of doubtfulness	133.9	7,65
Other operating expenses	1,750.0	100.00

Source: the authors' own development based on the documentation of the researched unit.

Based on these calculations it can be concluded that using the coefficient of doubtfulness of LCC Decor it would be possible to increase the amount of accrued reserve by 54.5 thousands UAH (133.9 – 79.4). At the same time, the percent of doubtful debt reserve in other operating expenses will increase by 3.11% (7.65 – 4.54).

To determine the effectiveness of the method chosen by the enterprise it is advisable to determine the impact of the amount of the accumulated reserve of doubtful debts calculated by different methods on the value of other operating expenses and the financial performance of LLC Decor. The results of the impact are presented in table 10.

When applying the coefficient of doubtfulness to determine the reserve of doubtful debts of the LLC décor it was possible to increase the value of other operating expenses by 3.11% or by 54.43 thousands UAH, thus reducing the financial performance by this amount. This resulted in a decrease in net profit by 44.63 thousands UAH and savings in the amount of accrued income tax in the amount of 9.80 thousands UAH.

Table 10. Impact of methods to determine the magnitude of the doubtful reserve debts for other operating expenses and financial result of LLC Decor in 2019

Indicator	Indicator value
1. Percent of accrued doubtful debt reserve in other operating expenses (see table 9, %): 1.1. The method of the absolute amount of doubtful debt (MAADD)	4.54
1.2. Coefficient of doubtfulness method (CDM)	7.65
2. Excess of percent of accrued doubtful debt reserve with similar indicator by MAADD (%): 2.1. CDM (p. 1.2 – p. 1.1)	$7.65 - 4.54 = 3.11$
3. Increase in expenses as a part of other operating expenses (1,750.0 thousands UAH) due to reserve of doubtful debts, compared to MAADD (thousands UAH): 3.1. CDM	$1,750.0 \cdot 3.11 / 100 = 54.43$
4. Financial performance of the enterprise using MAADD – l. 2290, f. №2 (thousands UAH)	420
5. Change in the financial performance compared to MAADD (thousands UAH): 5.1. CDM (p. 4 – p. 3.1)	$420 - 54.43 = 365.57$
6. The amount of accrued income tax using MAADD (l. 2300, f. №2)	75.6
7. Change in the amount of accrued income tax compared to MAADD (thousands UAH): 7.1. CDM (p. 5.1 · 18 / 100) 7.1.1. (p. 6 – p. 7.1)	$365.57 \cdot 18 / 100 = 65.80$ $75.6 - 65.80 = 9.80$
8. Net profit (l. 2350, f. №2)	344.4
9. Change in net profit compared to FM (thousands UAH): 9.1. CDM (p. 5.1 – p. 7.1) 9.1.1. (p. 8 – p. 9.1)	$365.57 - 65.80 = 299.77$ $344.4 - 299.77 = 44.63$

Source: the authors' own development based on the documentation of the researched unit.

The calculation methods of the doubtful debt reserve, envisaged in the current legislation, allow the enterprise to adjust the amount of its expenses during a particular reporting period.

Therefore, choosing (changing) the method of determining the reserve for doubtful debts in a particular period will allow the enterprise to increase the amount of expenses during the reporting period and to defer payment of income tax.

The accounting policy of an enterprise is required to include the order in which all aspects of its financial and economic activities are recorded. In the context of foreign economic activity, an important element of such activity is the foreign exchange operations of the enterprise.

The procedure for recording transactions in foreign currency in accounting is regulated by the norms of Accounting Standard 21 “The Effect of Changes in Foreign Exchange Rates”, according to which the value of foreign currency is recognized as the balance sheet (Ministerstvo finansiv Ukrainy 2000a).

For accounting purposes, the carrying value of foreign currency is not calculated and transactions in foreign currency are reflected in certain balance sheet items, the carrying value of which is estimated in accordance with the relevant Accounting Standard. That is, to display foreign currency in accounting, the currency of Ukraine is applied to the currency of another country, established by the National Bank of Ukraine on the date of the transaction. The amount of the book value of foreign currency depends on the nature of its receipt at the enterprise and on specific situations.

Disposal of foreign currency (exchange for national currency) is regulated by the Tax Code of Ukraine, according to which the company independently chooses one of two methods for assessing the carrying value of foreign currency – at an identified or weighted average cost. Moreover, the selected assessment method cannot be changed during the reporting period.

LLC Decor, upon disposal of a foreign currency, assesses its carrying value using the identified cost method. Table 11 shows data of the year 2019 on the disposal of currencies. Its book value is calculated using the weighted average cost method.

Table 11. Determination of the carrying value of the currency of LLC Decor in 2019 using various methods

Assessment method for the carrying value of a currency	Indicator	Period	Indicator value			
			Amount (EUR)	Exchange rate		Amount (thousands)
				Bank	Enterprise	
Identified cost	Foreign currency	I Q. 2019	950	31.72	32.47	30,490.25
		II Q. 2019	1,560	29.96	30.44	47,096.40
		III Q. 2019	1,840	29.97	29.91	55,089.60
		IV Q. 2019	1,230	26.81	27.12	33,166.95
Total			5,580	x	x	165,843.20
Weighted average cost	Foreign currency	2019	5,580	29.80		166,284.00

Source: the authors' own development based on the documentation of the researched unit.

Given the differences in the amounts when calculating the carrying value of the currency using various methods it is necessary to establish the effectiveness of the method chosen by the enterprise for assessing and determining the effect of the carrying value of the currency on the amount of income and financial performance of LLC Decor. The results of the influence of the selected accrual methods are presented in table 12.

Table 12. The influence of assessment methods the carrying value of currency on the amount of income and financial performance of LLC Decor in 2019

Indicator	Indicator value
1. Carrying value of currency (see table 11, UAH):	
1.1. Identified cost method (ICM)	165,843.20
1.2. Weighted average cost method (WACM)	166,284.00

Indicator	Indicator value
2. The excess of the carrying value of a currency with a similar indicator by ICM (UAH): 2.1. WACM (p. 1.2 – p. 1.1)	$166,284 - 165,843.2 = 440.8$
3. Increase in other operating income compared to use of ICM (UAH): 3.1. WACM	440.8
4. The financial performance of the enterprise using ICM – 1. 2290, f. №2 (thousands UAH)	420
5. Change in the financial performance compared to ICM (thousands UAH): 5.1. WACM (p. 4 + p. 3.1)	$420 + 0.4 = 420.4$
6. The amount of accrued income tax using ICM (l. 2300, f. №2)	75.6
7. Change in the amount of accrued income tax compared to ICM (thousands UAH): 7.1. WACM (p. 5.1 · 18 / 100) 7.1.1. (p. 7.1 – p. 6)	$420.4 \cdot 18 / 100 = 75.67$ $75.67 - 75.6 = 0.7$
8. Net profit (l. 2350, f. №2)	344.4
9. Change in net profit compared to ICM (thousands UAH): 9.1. WACM (p. 5.1 – p. 7.1) 9.1.1. (p. 9.1 – p. 8)	$420.4 - 75.67 = 344.73$ $344.73 - 344.4 = 0.33$

Source: the authors' own development based on the documentation of the researched unit.

Using the weighted average cost method to assess the carrying value of foreign currency in 2019 will result in the company receiving other operating income in the amount of 0.4 thousands UAH. As a result, there is an increase in the financial performance, the amount of accrued income tax and net profit of the enterprise.

However, the decision to use the methods of identified cost or weighted average cost to determine the carrying value of a foreign currency depends on the characteristics of the enterprise and operations with that currency.

To determine the appropriateness of the elements of the accounting policy selected by the enterprise (the depreciation method is straight-line, the method for assessing the disposal of reserves – FIFO, the method of creating a reserve for doubtful debts – the absolute amount of doubtful debts, the method for assessing the carrying value of the currency – the identified cost), we will conduct a comparative analysis of these elements with others (calculated by us in tables 3, 7, 10, and 12), and we will present them in the form of combinations (table 13), wherein:

- combination 1: the method of calculating depreciation – an accelerated reduction in residual value, the method of estimating the disposal of inventories – of the identified cost, the method for creating a reserve for doubtful debts – the doubtfulness ratio, the method for assessment the carrying value of a currency – the weighted average cost;

- combination 2: the depreciation method is cumulative, the method for estimating the disposal of inventories is the identified cost, the method for creating a reserve for doubtful debts is the doubtfulness ratio, the method for assessment the carrying value of a currency is the weighted average cost;
- combination 3: the method of calculating depreciation – an accelerated reduction in residual value, the method of estimating the disposal of reserves – a weighted average cost, the method for creating a reserve for doubtful debts – a doubtful ratio, the method for assessment the carrying value of a currency – a weighted average cost;
- combination 4: the depreciation method is cumulative, the method for estimating the disposal of inventories is the weighted average cost, the method for creating a reserve for doubtful debts is the doubtfulness ratio, and the method for assessment the carrying value of the currency is the average cost.

The data from table 13 indicates that when using the elements that are included in the combination 3, LLC Decor had the opportunity to reduce costs even more – by 296.25 thousands UAH. At the same time, there is an increase in the amount of paid income tax by 53.36 thousands UAH and net profit – 243.09 thousands UAH.

Table 13. Results of the accounting policy impact on expenses and financial performance of LLC Decor in 2019

Indicator	Indicator value (thousands UAH)			Absolute deviation from the comparison base
	Base of comparison (data f. №2)	Combination		
Income	22,614.8	1.	22,615.2 (22,614.8 + 0.4)	+0.4
		2.	22,615.2 (22,614.8 + 0.4)	+0.4
		3.	22,615.2 (22,614.8 + 0.4)	+0.4
		4.	22,615.2 (22,614.8 + 0.4)	+0.4
Expenses	22,194.8	1.	22,088 (22,194.8 – 445.41 + 284.18 + 54.43)	-106.8
		2.	22,271.41 (22,194.8 – 262 + 284.18 + 54.43)	+76.61
		3.	21,898.55 (22,194.8 – 445.41 + 94.73 + 54.43)	-296.25
		4.	22,081.96 (22,194.8 – 262 + 94.73 + 5.43)	-112.84
Financial performance	420.0	1.	527.2	+107.2
		2.	343.79	-76.21
		3.	716.45	+296.45
		4.	533.24	+113.24
Income tax	75.6	1.	94.9	+19.3
		2.	61.88	-13.72
		3.	128.96	+53.36
		4.	95.98	+20.32
Net profit	344.4	1.	432.3	+87.9
		2.	281.91	-62.49
		3.	587.49	+243.09
		4.	437.26	+92.86

Source: the authors' own development based on the documentation of the researched unit.

When using the elements shown in combination 2, the enterprise should increase the cost by 76.61 thousands UAH. But this would lead to saving of the amount of paid income tax by 13.72 thousands UAH and to a decrease in the amount of net profit – by 62.49 thousands UAH.

Elements shown in combinations 1 and 4 have a negligible effect on the amount of income, expenses and financial performance of LLC Decor. Therefore, the management of the enterprise should determine for itself which elements of accounting policy it is better to use in a particular reporting period.

Thus, based on the significant impact of accounting policy on the financial performance of the enterprise, the basis for the selection of its elements should be the development strategy of the enterprise for the near and future prospects.

3. Conclusions

The efficiency and quality of management decisions are determined by the timeliness of providing management with relevant accounting and analytical information. The accounting policy is also developed on the management object and the tasks facing it, and is developed and applied by the enterprise. According to the legislation in force in Ukraine, business entities independently determine the main provisions of the accounting policy but at the same time they must take into account the basic principles of accounting.

To achieve an optimal and effective accounting policy it is necessary to take into account factors that influence its development. The formation of accounting policy should be focused on making management decisions on the allocation and efficient use of available resources and obtaining financial performance. A well-developed accounting policy of the enterprise allows you to choose an effective scheme for accounting and tax accounting, reduce financial and tax risks, optimize the taxation scheme, and ultimately ensure the proper efficiency of the economic decisions made and the economic activity of the enterprise.

In the process of the formation of accounting policy it should be borne in mind that it includes a number of methodological and organizational elements that are of an alternative nature, the use of which can minimize or maximize the amount of expenses. That is what became the reason for the study of the impact of accounting policy elements on expenses and on financial performance.

We have used such elements of accounting policy as: depreciation method; method of measuring inventories when they are written off; method for calculating the allowance for doubtful debts; method for assessing the carrying value of a currency.

After conducting research and calculating the magnitude of the selected elements of the impact of accounting policy on expenses and on financial performance it can be argued that in these market conditions they are the most appropriate for the enterprise.

However, if the enterprise wants to reduce the amount of tax payable on profits and net profit it is necessary to choose the method of calculating depreciation – cumulative, the method of estimating the disposal of inventories – of the identified cost, the method of creating a reserve for doubtful debts – the doubtfulness ratio, the method of assessing the carrying value of the currency – the weighted average cost. And for the growth of net profit, the depreciation method is an accelerated decrease in the residual value, the method of estimating inventory disposition is the weighted average cost, the method of creating a reserve for doubtful debts is the doubtful ratio, the method of assessment the carrying value of the currency is the average weighted cost.

Thus, based on the significant impact of accounting policy on the financial performance of the enterprise, the basis for the selection of its elements should be the development strategy of the enterprise for the near and future prospects.

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