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FINANCIAL ACCOUNTING OF COMPANIES IN THE CONTEXT OF RELIABILITY

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Summary. *The relevance of ensuring the reliability of accounting has been emphasized in the article. Attention has been drawn to the fact that, as a result of its alleged radical reformation, it is not possible to get rid of the imperfection of financial accounting during the transition to market relations. The importance of scientific substantiation of financial accounting forms in accordance with the methodological narratives of the accounting classics is emphasized, the ignoring of which caused the practice of forming reporting indicators to remain unchanged for almost a century, which unwittingly contradict the requirements for reliability of both the Law 'On Accounting and Financial Accounting in Ukraine' and the National Law (C)BO 1 'General requirements for financial accounting', thus obscuring the real financial condition of enterprises as a result of veiling the amount of equity capital, which, according to the statement of the theorist and practitioner of accounting of the last century P. Tsompa, often demonstrates in relation to this, in fact, the most important indicator, that is recognized by the classics as the cornerstone of the accounting system, 'national economic nonsense'. The lack of attention of domestic scientists to the outlined issues is noted, and this is confirmed by the lack of scientific substantiation of the content of financial accounting, since publications related to it are mostly limited to a descriptive statement of the approved accounting forms, and not to an understanding of their methodological imperfections. As a result, most of the works of scientists refer to educational literature, and articles in scientific journals, especially monographs on the study of the problems of such reporting, are few and far between. Moreover, it is time to find specifics in them. It has been pointed out that the indicators that made it possible to clearly determine the efficiency of the use of financial resources of enterprises due to the presence in the Balance Sheets of No. 1 of the 70-80 of the XX century not only actual data on the presence of certain assets, but also their visual comparison with standards. Attention is focused on the fact that the reliability of financial accounting from the point of view of economic efficiency and protection against raiding of enterprises is of great importance both for their owners and state authorities, because it is a guarantee of balanced regulation of economic development based on the analytical interpretation of real indicators. It is emphasized that, first of all, it is necessary to get rid of harmful methods of veiling their capital. After all, revaluation of assets is a dubious measure from a practical point of view, which only allows to virtually smooth out the alarming financial condition of enterprises at the expense of an imaginary increase in their value, because in reality the usefulness of overvalued objects does not increase one iota.*

Key words: *credibility, veiling, information, methodology, capital, balance sheet reform, financial accounting.*

Problem research. Efforts to ensure the reliability of accounting, despite its alleged radical reformation during the transition to market relations, remain an urgent problem that has remained almost unchanged for more than a century and concerns not only methodology, but most of all practice. Which, however, is covered up in the first one, although in the mentioned NP(S)BO 1 'General requirements for financial



accounting' it is indicated: 'Financial accounting must be reliable. The information provided in the financial statements is reliable if it does not contain errors and distortions that can influence the decisions of the users of the statements' [10, p. 3].

Since the principle of 'prudence, according to which the valuation methods used in accounting must prevent underestimation of liabilities and expenses and overestimation of assets and income of the enterprise' [10, p. 6], as can be seen from the previous analytical understanding of the essence of these reporting indicators, is rather a wish than an achievable fact.

Analysis of recent researches and publications where the solution of the problem has been initiated. At first glance, there are enough thorough publications on the topic of financial accounting of enterprises. But the problem is that although their authors are well-known Ukrainian scientists, such as M. Bodnar, Yu. Veriga, etc. [1], V. Len [9], Yu. Tsal-Tsalko [14], etc., most of the works refer to educational literature, and articles in scientific journals on the study of the problems of such accounting are isolated [4]. As for monographs, only two have been published over a thirty-year period [12; 13].

In addition, the specified textbooks and manuals, as well as scientific works, mostly cover the content of financial accounting forms, the methodology of its preparation during the initial stages of reform, where the problem of reliability is not prominent. Therefore, its research in this aspect is important from both a scientific and a practical point of view.

Formulation of the purpose of the article and its tasks. Based on what has been said above, *the purpose of the article* is to substantiate the ways of solving old and modern shortcomings of financial accounting. *The task of the article* is to formulate proposals aimed at improving financial accounting.

The main material research. As with any phenomenon, enterprise accounting alternately goes through stages of development and stagnation. At least this is valid when we recall the works of the county council statisticians, or even the publications in the magazine 'Statistics', where thorough theoretical, methodical and empirical articles with the mandatory use of reporting materials were printed from issue to issue, and compare them with the current descriptive ones, where it is not possible to find something specific. At a time when reporting began to be attributed even to those virtual types of accounting, which is actually an interpretation of reporting information, which according to the Law of Ukraine 'On Accounting and Financial Reporting in Ukraine' is based on accounting data' [5, p. 3, sp. 2].

In particular, management accounting, despite the reasonable explanation: 'Financial accounting or accounting is the basis of management, because it consists of information that is needed for the formation of financial reporting on economic activity as a whole... Simply, management accounting is the collection of financial and production information from its further analysis for ... use in making strategic decisions by the company's management' [21].

Similar is the interpretation of the term accounting in the National Regulation (standard) of Accounting 1 'General requirements for financial reporting': 'accounting reports ... are compiled on the basis of accounting data to meet the needs of certain users' [10, ch. I, p. I]. After all, those authors who use the term 'Internal (management)



accounting' derived from the definition of the mentioned Law: 'Internal economic (management) accounting is a system of accounting, processing and preparing information about the enterprise's activities for internal users in the process of managing the enterprise' [5, p. 1], also recognize that it is a kind of accounting information [1, p. 30; 6, p. 6]. It is supposed to be logical, because accounting cannot be based on itself and tautologies are inappropriate here.

At the same time, the main drawback of accounting is not a lack of ideas regarding the improvement of accounting, but not bringing it to acceptable options in practice, which has been observed for at least a century. For example, the Galician theoretician and practitioner P. Tsompa published a book in Lviv in 2010, in which he proposed the idea of using econometrics in accounting [15]. It was picked up by scientists R. Frisch and J. Tinberger, who became Nobel Prize laureates, but it did not end with the logical ending, i.e. accounting, although it is econometrics that is most suitable for solving the problem of analytical interpretation of accounting results.

On the contrary, even those indicators that made it possible to clearly determine the effectiveness of the use of financial resources of enterprises were removed from the accounting. We are talking about the Balances f. No. 1 of the 1970s and 1980s, which featured not only actual data on the presence of certain assets, but also their visual comparison with standards (Table 1).

Table 1 - Comparison of sections 'Current assets of the' Balance sheets of No. 1

In 1980			In 2022	
Names of accounting articles	The normative amount according to the plan at the end of the year, thousands of UAK	Actual amount at the end of the year, thousands of UAK	Names of accounting articles	Actual amount at the end of the year, thousands of UAH
Young animals	157297	166488	Reserves	960
Fodder	53355	40245	Inventories	273
Seed	29073	31428	Final product	–
Spare parts	4760	6804	Goods	687
Oil products	1935	1704	Receivables	2881
Mineral fertilizers	8818	12373	Money and its equivalents	12011
Raw	2863	805	Expenses of future periods	931
Building materials	4060	6046	Other current assets	75
...			...	
Total according to section II	355711	360857	Other current assets	16943

Sources: Consolidated report on collective farms of the region as of 1980; Balance sheet (Statement of financial position) f. No. 1 of the state enterprise 'Inforesurs' as of December 31, 2022.



That is, although the normative sums of working capital according to the plan at the end of the year were limited only to tangible assets. Funds in the cash register and bank accounts, receivables, etc. were not indicated, still, to a certain extent, control over the formation of production resources for each group of tangible assets and effective the use of finance could be unwittingly carried out directly at enterprises, not to mention the so-called balance commissions, at which higher authorities strictly drew the attention of subordinates to the irrational freezing of money, and in fact, capital. A taboo was imposed on it during the ideological confrontation between the countries of socialism and capitalism.

However, with the beginning of 'perestroika' at first (in 1986), working capital standards were synthesized into two final indicators, i.e. planned availability at the beginning and end of the year, respectively, and from the following year they were completely removed from this form of financial accounting. True, to some extent this is compensated by the current forms of financial accounting Report on the movement of cash funds f. No. 3 and Equity Report f. No. 4. But instead of somehow compensate for the lack of such important analytics in the current Balance Sheet (Report on the Financial Status) f. No. 1, accountants were left without any analytical indicators, such as liquidity ratios, which have become more or less the quintessence of audit conclusions. Therefore, it is not surprising that almost no one pays attention to excess production stocks, which often lose their value not only unintentionally, but also with a selfish purpose through depreciation due to inflation, or even written off as illiquid.

After all, the essence of these forms from a methodological point of view looks like a duplicate, because the capital of the enterprise, as a financial and economic category, is recognized, according to the metaphorical expressions of Italian scientists of the 19th century. N. d'Anastasio and F. Villa, the cornerstone of the accounting system, or the statutory fund, as this category was veiled in the socialist period with this synonym, is actually one of the objects of involuntary falsification. To a large extent, due to the removal from this form of financial reporting, not only the norms of current assets, but also their overly synthesized actual amounts, as a result of which the analysis of these indicators becomes extremely abstract.

Although, it should be noted that the current assets themselves are highlighted here more clearly: if in the balance sheets of the 70-80th of the XX century they were divided into two sections – II 'Current assets' and III 'Cash and other assets', now they have been combined in section II 'Current assets'.

At the same time, it appears that the removal from the current Balance Sheets (Financial Statements) f. No. 1 under the pretext of ensuring the compactness of reporting forms of Section IV 'Funds and expenses for capital investment and major repairs', which was once indicated in the asset, is quite controversial. So is the annulment of Section IV 'Sources of funds for capital investments and capital repairs' in the liabilities. It is not because the current symmetry of the asset and liability sections looks rather like its artificial antithesis: for example, section III 'Non-current assets held for sale and disposal groups' of the asset consists of one article.

Mainly due to ignoring, the fact that the current asymmetry of this form of accounting led to the elimination of the possibilities of analytical study of indicators based on the interrelationship of reproduction resources and the sources of their origin.



It is not for nothing that the correspondence of accountings, in general, for a longer period of time, are called balance sheets (in particular, the French scholar de la Porte recommended closing the accounts in the General Ledger with a ‘Balance account’ [20, p. 40]), deleted at the end of the XIXth century by the efforts of E. Waldenberg, who was the translator of the ‘Treatise on Accounts and Records’.

The same result befell the name ‘balance accounting’, which mostly prevailed over another, ‘accounting’, which is subject to current attacks, however, much later in 1940. Apart from the fact that precisely ‘Balance sheet’ and ‘Balance accounting’ are the most important signs of digraphism, a term that has taken root as a double entry, looks not quite correct. Since with the introduction of checkerboard analytical registers into accounting, it is enough to record any transaction once at the intersection of the ‘debit’ and ‘credit’ columns, how it will affect these accounts in two ways, i.e. by increasing circulation on one and the other.

At the same time, this is not the point, because here something else is more important. In contrast to its prototype scientists have never reached a consensus on which bookkeeping arose first: unigraphic or digraphic, despite a thorough, albeit concise study by R. de Roover ‘How double-entry bookkeeping arose’ where the scientist proves that its ‘birth’ dates back to the XIIIth century.

However, leaving behind scholastic disputes regarding the defense of the statement, supposedly unigraphic, or as it is also called, simple accounting, transformed into digraphism (double) by some and controversial objections by others, who say that it is just a corrupted digraphic, which are similar to the diametrically opposite hypotheses of organic / inorganic origin of oil deposits, also not convincingly proven, it is still clear that the advantage of the latter is indisputable.

This advantage was formulated by the now-forgotten Odessa resident R. Weitzman (1870-1936), ‘a professor, a representative of the German school, a propagandist of the ideas of J. Scherr, A. Calmes, P. Gerstner, G. Niklish’ and a supporter of the balance theory of double entry. The scientist noted, that the balance flows from the accounts, therefore contains the entire accounting system. Thus, separate accounts are related to the balance, as parts to the whole. Expressing this opinion almost as an aphorism it is worth mentioning that ‘At the same time, the system of accounts, which is based on double entry, already contains a balance’ [2, p. 297]. What cannot be recognized by unigraphic accounting, the remnants of which appear even now [7].

The same can be said about simultaneous with the mentioned changes in the Balance Sheets. No. 1 removal from reporting of auxiliary tables ‘Movement of funds of the indivisible fund’ and ‘Movement of funds for capital investments and capital repairs’, thanks to which the analytical interpretation of the reported indicators under the aspect of reproduction of worn-out fixed assets was more effective than in the presence of current Balance Sheets (Reports on financial status) f. No. 1, ‘Reports on financial results (Reports on total income)’ f. No. 2, ‘Cash flow reports (by the direct method)’ p. No. 3 or ‘Cash flow reports (by the indirect method)’ p. No. 3-n, ‘Reports on equity’ f. No. 4 and even ‘Note to the annual financial statements’ f. No. 5, ‘Additions to the notes to the annual financial statements ‘Information by segments’ f. No. 6.



After all, in these tables, built according to the balance sheet form, it was immediately visible which components affect the dynamics, as we would say now, of the capital of enterprises, since the formula of their construction is quite simple, related to the scheme of entries in accounting reckonings, where, as it is known, initial balances, debit and credit transactions are always taken into account, on the basis of which final balances are derived. In fact, this is the embodiment of R. Weizman's aphorism in practice (Table 2).

**Table 2 - The structure of subsidiary tables
to the reported Balance Sheets. f. No. 1**

Flow of funds of the indivisible fund f. No. 3			Movement of funds for capital investments and capital repairs of f. No. 22		
Indexes	№ of the line	Amount, thousands of UAK	Indexes	№ of the line	Amount, thousands of UAK
Indivisible fund for the beginning of the year	010	1335279	Balance of funds at the beginning of the year	010	24933
1. Received for increase			Funds that were received during the year		
a) in terms of fixed assets			Accumulated depreciation	050	77118
...			Deduction from income to replenish the indivisible fund	060	46232
Total for subsection 1a (sum of lines 030-150)	160	46777	Proceeds from liquidation of fixed assets	070	2929
b) in terms of current assets			...		
...			Other income	130	5408
Total for subsection 1b (sum of lines 170-200)	210	30416	In total, own funds were received	150	167220
Total for section 1	220	247193	Total funds received together with the balance at the beginning of the year (sum of lines 010-150)	200	192153
2. Written off for reduction			Costs for capital investments and overhaul		



a) in terms of fixed assets			For the construction of buildings and structures	290	27952
...			...		
Total for subdivision IIa (sum of lines 230-300)	310	136408	For the purchase of tractors, ...cars, etc....	350	35110
b) in the part of current assets (sum of lines 230-300)			For major repairs of buildings and structures	400	24316
...			For major repairs of tractors, ... cars, etc. ...	410	16567
Total for subdivision IIb (sum of lines 320-350)	360	2241	Costs for construction and repair of state roads	420	7903
Total for section II (line 310 + line 360)	370	138649	Total costs	450	176561
An indivisible fund at the end of the year	380	1443823	Balance of funds at the end of the year	480	15592

Sources: Consolidated report on collective farms of the region as of 1985. For the sake of compactness of the table, lines 030-150, 170-200, 230-300, 320-350 are omitted.

According to the abbreviated forms of these subsidiary tables to the reporting Balance sheets f. No. 1 it is possible to perform certain analytical procedures that testify to both the positives and the negatives, using the current terminology, of financial policy. For example, the costs of major repairs of buildings and structures amounted to 87% of the costs of their construction; in relation to tractors, cars and other equipment, the ratio is not much better. Here it is equal to almost half of the costs of their purchase.

Therefore, it would be more appropriate to direct these funds to the complete replacement of such capital assets, than to spend them on capital repairs, which do not contribute to innovative development in any way. This could be provided to a certain extent by reconstruction, but rather the conservation of outdated technologies, caused by a shortage of building materials, and technical means of production. Moreover, although there is no such deficit now, the technological backwardness of the Soviet period, just as the saying goes, 'the dead catch the living', led to an insurmountable stagnation in the machine-building industry, and instead of purchasing domestic equipment, our entrepreneurs are forced to buy foreign equipment, which is as irrational as the export of metal, which became unnecessary in Ukraine for its own production.

If we return to the topic of accounting, then it is no less painful, because now quite often there are enterprises where, contrary to the logically balanced interpretation of J. van der Schuyer (1625): 'The Capital account is always a creditor, to which the



inventory accounts correspond' [8, p. 99]. But a novelty of the XXth century is necessary to consider the appearance of debtor capital turned upside down, moved by analogy with the debit of subaccount 44 'Uncovered losses' in section I' of 'Equity' of the liability of the Balance Sheet (Statement of Financial Status) f. No. 1. And this despite the fact that, as a rule, there appears at the same time a fairly significant amount of registered capital, to which for several years in a row no deduction from income is made for its replenishment, which was mandatory and of primary importance in the distribution of profit (Table 3).

**Table 3 - Chapter I. 'Equity' of the Balance Sheet Liability
(Report on Financial Status) f. No. 1**

Liabilities	The code of the line	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
Own capital			
Registered (share) capital	1400	27804	27804
Contributions to unregistered authorized capital	1401	0	0
Capital in reassessments	1405	46756	46756
Additional capital	1410	0	0
Issuance income	1411	0	0
Accumulated exchange rate differences	1412	0	0
Reserve capital	1415	0	0
Retained earnings (uncovered loss)	1420	-97012	-141878
Unpaid capital	1425	0	0
Withdrawn capital	1430	0	0
Other reserves	1435	0	0
Overall	1495	-22452	-67318

Source: Balance Sheet (Report on Financial Status) f. №1 Private Joint Stock Company.

So, as a result of losses, the registered (equity) capital of this enterprise practically decreased during the year by more than five times: $(27804 - 22452) -$ to 5352 thousand UAH, however, it further appears in the Balance Sheet (Statement of Financial Status) f. No.1 in the former starting amount. And due to the growth of the uncovered loss to UAH 141,878,000, the negative total of section I 'Equity' of the liability of this reporting form increased by another three times, which was impossible in the presence of the mentioned subsidiary tables to the balance sheets.

That is, not only is the equity capital leveled here, as a result of which the property of the founders of this enterprise has turned into its antipode, debt to creditors, but we can also think that the statement of the Nobel laureate J. Hicks: 'Capital is money put into circulation, which bring income from this circulation' [11, p.47] is false. After all, formally one gets the impression that in practice the situation can be exactly the opposite.



However, taking into account its duration at many enterprises, often several years, the belief in its reliability at all, without exception, especially those where their founders, owners of preferred shares, as if nothing had happened, receive millions of dividends, is doubtful. Although similar Balance Sheets (Financial Statements) f. No. 1 successfully pass audits, of course, and fiscal ones.

After all, the Tax Code does not provide for any exceptions in the submission of Income Tax Declarations, including those with a loss, the authenticity of which is checked even more thoroughly, especially in the aspect of transfer pricing and cost of production. It is not for nothing that in the documentation relating to such prices, taxpayers are obliged to justify the necessity and economic validity of their use in a particular operation of selling raw materials, etc. to counterparties.

However, in relation to financial accounting, reliability, as we can see, is secondary. Otherwise, the auditors should have paid attention long ago to the lack of complete reformation of the balance sheet here, a procedure that consists in adjusting the registered (equity) capital. After all, all the indicators given with zero values (additional capital, withdrawn capital, etc.), in respect of which the reformation of the balance sheet has obviously taken place, are sharply dissonant against the background of the frozen amount of not only the capital in reassessments, but mainly the growth of the uncovered loss.

And in this way, the century-old story is repeated, described, unfortunately, by also forgotten by his compatriots, a Galician scientist, the author of the idea of applying econometrics in accounting for the purpose of the actual reliability of balance sheets, P. Tsompa. He spoke about similar balance sheets at the time: 'This is national and economic nonsense, (which) ... still ... will mislead everyone' [15, p. 165].

Due to the fact that revaluation of non-current assets is only a virtual increase in the value of the company's property, which is not related to cash flows or the increase in the wealth of the owners, which is considered profit, or additional value according to K. Marx. And in fact, there is a conflict, in this case, a discrepancy with the edited legal norm specified in NP(S)BO 1 'General requirements for financial reporting'. 'Equity is the difference between the assets and liabilities of the enterprise' [10, Art. 1]. The initial wording that appeared in it, i.e. 'the part of the company's assets that remains after deducting its liabilities' was clearly incorrect. After all, it contradicted elementary logic, since the negative value of equity cannot be considered part of the assets remaining at the enterprise.

Such editing of the quoted wording became only a masking net, which covers a much deeper problem of the reliability of financial accounting, in which the prices of the past are intertwined with the present. Where the former appear in the value of assets, especially non-current assets; the second, in the amounts most reflected in section II 'Long-term liabilities and collateral' of the liability of the Balance Sheets (Statements of Financial Status) f. No. 1.

After all, in the assets of these reporting forms, current and past prices are also intertwined. This especially is applied to accounts receivable, bills of exchange, costs of future periods, partly goods, mainly illiquid, for which a certain share of prices of the past takes place. The liability is not an exception in this aspect, but with the opposite ratio of the total impact of the specified prices, because inflation, as a rule, does not



alternate with deflation. And even in the absence of deliberate intentions to ‘distort...reporting’, it is precisely as a result of methodological inconsistencies regarding the problem of reliability that ‘underestimation of liabilities and expenses’ occurs due to inflation, which leads to ‘overestimation of assets and income of the enterprise’.

In general, the very term ‘prudence’, despite the sufficiency of synonyms, such as ‘caution, reasonableness, politeness, attentiveness in one’s actions’ [3, p. 797] is too far from the essence of the classical principle as formulated by the outstanding Italian scientist P. d’Alvise: ‘Reliability is registration of the facts of economic life must be adequate to the facts themselves; lack of credibility creates chaos’ [16, p. 436].

By the way, the interpretation given in the aforementioned dictionary: ‘Reliable - clear, unquestionable, completely true, accurate’ [3, p. 322] regarding financial accounting does not in all cases correspond to the principles of NP(S)BO 1 ‘General requirements for financial reporting’, not to mention their placement in order. The principle of prudence is eighth out of ten; in the science of logismography, created by P. d’Alvise in co-authorship with D. Zappa, he is the first of eight.

In view of this, it is worth paying attention to the opinions of the German scientist E. Schmalenbach (1873-1956), which were deleted from the Soviet theory of accounting for ideological reasons, since some of his proposals were introduced in Germany in 1942. In particular, he reasonably observed that in the conditions of inflation, it is necessary, in accordance with the wholesale price index, to debit and credit all the accounts of the asset and liability of the balance sheet, except for the accounts of own funds in correspondence with the specially proposed account of Adjustment of monetary value, using the transit account of the Inflation Reserve. The debit turnover of this account was debited to the Loss and Profit account, reducing the amount of taxable profit. The overestimated balance of settlement accounts and funds was offset by the debit and credit of each account. Moreover, it was necessary to reassess both material accounts and settlement accounts [18, p. 42].

However, in the context of the idea of a dynamic balance, he was opposed by the author of the nominal balance V. Rieger, who believed that in accounting there is only a monetary unit of measurement and there is no other and cannot be. So, the accountant keeps records only for money, and the accountant has nothing to do with the fact that the exchange rate of the stamp, its purchasing power fluctuates; he simply records the facts. At the same time, the balance sheet according to the documentary assessment is at least nominally true, while any revaluation of the balance sheet items introduces subjectivism and lies [17, p. 71].

An attempt at a compromise, to which other scientists were inclined, including F. Schmidt (1882-1950), who emphasized: dynamics includes a uniform process of circulation of economic means; statics reflect a momentary picture (a separate ‘film frame’) of a dynamic process; comparative statics is very important, when conclusions are drawn about the development of the economic process based on two ‘momentary static frames’. According to this, accounting is dynamics, accounting balance is statics, balance analysis is comparative statics [19, p. 50], was mocked by Schmalenbach.

Conclusions and prospects of future researches. The reliability of financial accounting is its most important feature, which is of great importance for both business



owners and government agencies. For the first, from the standpoint of economic efficiency of activity and security against raiding, because such cases as the negative value of equity capital given in the article provoke the capture of virtually significant assets by criminals, which become formally worthless due to managers' inattention to their reporting indicators.

For others, the reliability of financial accounting is a guarantee of balanced regulation of economic development based on the analytical interpretation of real indicators, not those that create chaos. A bitter lesson, the collapse of the socialist economy, in which attributions, that is, the distortion of accounting indicators in order to prove its advantages over the market one, were commonplace, a convincing confirmation of this.

Therefore, in view of the importance of reliability of financial accounting, the current practice of ignoring the reformation of Balance Sheets (Statements of Financial Status) f. No. 1, without which it will not be possible to eliminate the chaos in the credibility of the financial state of enterprises. And first of all, it is necessary to get rid of the harmful methods of veiling their capital, because revaluation of assets from a practical point of view is a dubious measure that allows only to virtually smooth out the alarming financial condition of enterprises at the expense of an imaginary increase in their value, because in reality the usefulness of overvalued objects does not increase by iota

But, not having confidence in the indisputability of the considerations expressed in this article regarding the reliability of financial statements, we consider further research of this problem to be promising.

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Abstract. *The relevance of ensuring the reliability of accounting has been emphasized in the article. Attention has been drawn to the fact that, as a result of its alleged radical reformation, it is not possible to get rid of the imperfection of financial accounting during the transition to market relations. The importance of scientific substantiation of financial accounting forms in accordance with the methodological narratives of the accounting classics is emphasized, the ignoring of which caused the practice of forming reporting indicators to remain unchanged for almost a century, which unwittingly contradict the requirements for reliability of both the Law 'On Accounting and Financial Accounting in Ukraine' and the National Law (C)BO 1 'General requirements for financial accounting', thus obscuring the real financial condition of enterprises as a result of veiling the amount of equity capital, which, according to the statement of the theorist and practitioner of accounting of the last century P. Tsompa, often demonstrates in relation to this, in fact, the most important indicator, that is recognized by the classics as the cornerstone of the accounting system, 'national economic nonsense'. The lack of attention of domestic scientists to the outlined issues is noted, and this is confirmed by the lack of scientific substantiation of the content of financial accounting, since publications related to it are mostly limited to a descriptive statement of the approved accounting forms, and not to an understanding of their methodological imperfections. As a result, most of the works of scientists refer to educational literature, and articles in scientific journals, especially monographs on the study of the problems of such reporting, are few and far between. Moreover, it is time to find specifics in them. It has been pointed out that the indicators that made it possible to clearly determine the efficiency of the use of financial resources of enterprises due to the presence in the Balance Sheets of No. 1 of the 70-80 of the XX century not only actual data on the presence of certain assets, but also their visual comparison with standards. Attention is focused on the fact that the reliability of financial accounting from the point of view of economic efficiency and protection against raiding of enterprises is of great importance both for their owners and state authorities, because it is a guarantee of balanced regulation of economic development based on the analytical interpretation of real indicators. It is emphasized that, first of all, it is necessary to get rid of harmful methods of veiling their capital. After all, revaluation of assets is a dubious measure from a practical point of view, which only allows to virtually smooth out the alarming financial condition of enterprises at the expense of an imaginary increase in their value, because in reality the usefulness of overvalued objects does not increase one iota.*

Key words: *credibility, veiling, information, methodology, capital, balance sheet reform, financial accounting.*

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