Direction (section) 2. Economic Sciences

Stupnytska Tetiana, Ph.D., Associate Professor

ORCID ID: 0000-0002-2517-2795

Korchakovska Kateryna, 1st year applicant for Master's degree

ORCID ID: 0009-0004-0147-4731

Volodina Olena, Assistant

ORCID ID: 0000-0003-0552-6733

Odesa National University of Technology, Ukraine

**THEORETICAL PRINCIPLES OF DETERMINING AND CLASSIFICATION OF NON-CURRENT ASSETS OF AN ENTERPRISE AS A FACTOR IN FORMING A COMPREHENSIVE APPROACH TO THEIR ACCOUNTING**

Non-current assets are resources that provide economic benefits in the long term, contributing to the functioning of the production process, the implementation of the strategic goals of the enterprise and the formation of its material and technical base. Accounting and analysis of non-current assets is an important aspect of the activities of any enterprise, since the effective management of these resources directly affects its financial stability and level of profitability. The correct definition and classification of non-current assets provide a systematic approach to their accounting and presentation of information, which is a key factor for conducting the qualitative analysis.

Mastering the conceptual apparatus, which includes the definition, classification and methods of accounting for non-current assets, ensures a reliable reflection of their value in financial statements. This is crucial both for attracting investments, strengthening trust from business partners and creditors, and for conducting a thorough financial analysis that helps assess the efficiency of assets use, forecast financial results and make informed management decisions. In addition, the use of modern accounting standards, in particular International Financial Reporting Standards (IFRS), ensures that enterprises are competitive in the global market, which is becoming especially relevant in the context of economic integration and the development of international trade [8]. Therefore, in our opinion, it is necessary to compare the theoretical principles of organizing accounting for non-current assets in foreign countries with Ukrainian practice.

The issue of interpreting the concept of “non-current assets” was considered in the works of such scientists as Blank I. O., Butynets F. F., Goretska L. L., Bazylevich V. D., Voronko R. M., Luchko M. R., Benko I. D., Gunderuk T., Rogozhkina V. V., Kandyba K. O., Portna O. V., Goncharenko M. L., Romanchuk R. A., and others.

The concept of "non-current assets" in foreign accounting practice is denoted by various terms: property, tangible assets, fixed assets; buildings and equipment, etc. In International Financial Reporting Standards (IFRS), non-current assets are defined as a group of assets that have similar characteristics and are used in a similar way in economic activities [9].

In the modern Ukrainian economic environment and regulatory acts, researchers distinguish different variations on the essence of the concept of "non-current assets", which indicates that there is no single approach to interpreting this concept. Therefore, we can say that non-current assets are resources that are held by an enterprise for more than twelve months or one operating cycle (if it exceeds twelve months) in order to obtain future economic benefits associated with their use.

O.O. Tomilin highlights that non-current assets are characterized by the following positive features [2]:

* practically not subject to losses from inflation, and, therefore, are better protected from it;
* they are characterized by a lower commercial risk of losses in the process of the enterprise's operational activities;
* practically protected from the unscrupulous actions of partners in operational commercial affairs;
* capable of generating stable profits, ensuring the production of various types of products in accordance with the market conditions of the goods;
* contribute to the prevention (or significant reduction) of losses of inventories of the enterprise's material assets during their storage;
* they are characterized by large reserves of a significant expansion of the volume of operational activities during the period of the upswing of the commodity market conditions.

The consistency of the definition of non-current assets in accordance with international financial accounting standards and the national regulatory framework is an important factor in the formation of a single methodological approach to their accounting. This is of particular importance in the context of globalization and integration processes in the world economy, contributing to increasing the transparency of financial reporting and ensuring its comparability at the international level.

Classification of non-current assets plays a key role in financial accounting, management decision-making, and financial reporting. It serves as the foundation for systematic and detailed accounting, enhances the transparency of financial information, and ensures informed management decisions, which in turn contributes to the achievement of the strategic goals of the entity.

The classification of non-current assets in foreign countries is as follows: tangible long-term assets, intangible long-term assets, long-term financial investments [7].

Researchers identify individual approaches to the formation of the classification of non-current assets according to the relevant characteristics, given in Table 1, which complicates the construction of the unified classification for both national and international accounting standards.

Table 1 – Classifications of non-current assets in economic literature\*

|  |  |
| --- | --- |
| Researcher-scientist | Approach to classification of non-current assets |
| I. O. Blank | By main functional types: fixed assets, intangible assets;  by the nature of servicing individual areas of operating activity: non-current assets that serve the production process, non-current assets that serve the sales process, non-current assets that serve operating activities;  by the nature of ownership: own and leased non-current assets;  by the forms of collateral for the loan and the features of insurance: movable and immovable non-current assets;  by the nature of depreciation: depreciable non-current assets and non-depreciable non-current assets. |
| F.F. Butynets, L.L. Goretska | In most countries, non-current assets can be divided into the following general groups: tangible long-term assets; intangible long-term assets; long-term financial investments. |
| V. D. Bazylevich | By area of ​​operation: objects of production and non-production purpose;  by natural and tangible form: buildings, structures, transmission mechanisms, equipment, machines, vehicles, tools, production and household equipment, working livestock, perennial plantings and others;  by role (degree of participation) in the production process: active (machines, equipment, etc., which directly affect the quantity and quality of products produced) and passive (buildings, structures, etc., which only create the necessary conditions for the production process). |

\*compiled by the author based on the following sources [3, 4, 5]

For accounting purposes in Ukraine, non-current assets are classified according to the National Accounting Regulation (Standard) 1 "General Requirements for Financial Reporting" and Financial Reporting Form 1 "Balance Sheet (Statement of Financial Position)" and have the following structure, which is given in Table 2.

Table 2 – Classification of non-current assets according to ANR(s)-Accounting national regulation (Standard) 1\*

|  |  |  |
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| Classification of non-current assets according to form 1 "Balance (Statement of financial position)" | Intangible assets | Non-monetary asset which has no physical substance and can be identified. |
| Uncompleted capital investments | Capital investments in construction, manufacturing, reconstruction, modernization, acquisition of non-current tangible assets that have not been put into operation as of the balance sheet date, as well as advance payments to finance construction. |
| Fixed assets | Tangible assets that an enterprise holds for the purpose of using them in the production or supply of goods, providing services, renting them to others, or for performing administrative and socio-cultural functions, the expected useful life (operation) of which is more than one year (or the operating cycle, if longer than one year). |
| Investment property | Land, buildings, and structures located on land are held for the purpose of receiving rental payments and/or increasing equity. |
| Long-term biological assets | Biological assets that are capable of producing agricultural produce and/or additional biological assets that otherwise generate economic benefits for a period exceeding 12 months. |
| Long-term financial investments | Investments for a period of more than one year, as well as all investments that cannot be freely sold at any time. |
| Long-term receivables | The amount of receivables that do not arise in the normal operating cycle and will be settled after 12 months from the balance sheet date. |
| Deferred tax assets | Amounts of income taxes recoverable in future periods. |
| Other non-current assets | Tangible assets intended to be used for more than one year (or operating cycle, if it exceeds one year). |

\*compiled by the author based on these sources [1]

The results of a comparison of aspects of accounting for non-current assets in international and domestic practice are given in Table 3.

Table 3 – Comparative characteristics of aspects of accounting for non-current assets under the ANR(S) and ISFS-international standards of financial statements\*

|  |  |  |
| --- | --- | --- |
| Criterion | ANR(S) | ISFS |
| Classification of non-current assets | Intangible assets, capital investments in progress, fixed assets, investment property, long-term biological assets, long-term financial investments, long-term receivables, deferred tax assets, other non-current assets | Tangible long-term assets, intangible long-term assets, long-term financial investments. |
| Criterion | ANR(S) | ISFS |
| Recognition of fixed assets | Will generate future economic benefits and their cost can be measured reliably | |
| Rating | Recorded on the balance sheet at original cost or historical cost | |
| Х | Loan interest may also be included. |
| Repair costs | Recognized as an asset when they improve the condition of an asset | |
| Revaluation | It is carried out in cases where the fair value differs significantly from the carrying amount. | |
| Amortization | Depreciation is calculated using the following methods: straight-line write-off, reduction of the balance, the amount of units of production, according to the norms of tax legislation, as well as accelerated reduction of the residual value, cumulative method. | According to tax legislation |
| Elimination | The residual value and accumulated depreciation are written off, and a profit/loss on disposal is recorded. | |
| Intangible assets | Recognition criteria: lack of tangible form, long-term, ability to generate income | |
| Classification | Rights to use natural resources, property, trademarks, industrial property, copyrights, goodwill, other | |
| Goodwill is almost unused | Goodwill is divided into positive and negative, there are approaches to recognizing value and methods of write-off. |
| Accounts receivable | Definition – the amount owed by debtors | |
| Classification | Long-term and current | Current and non-current (medium-term and long-term) |

\*compiled by the author based on these sources [6]

Thus, the analysis of the organization of accounting for non-current assets in foreign countries in comparison with Ukrainian practice demonstrates the need to improve the National Accounting Standards in order to harmonize them with international standards. In the context of the development of information technologies and globalization of business activity, one of the key tasks of Ukrainian enterprises is the full automation of accounting processes, in particular, accounting for non-current assets. Since the economic activity of any business entity begins with the acquisition and use of non-current assets, their effective management and accounting is a fundamental factor in ensuring the stability and development of the enterprise.

Therefore, theoretical understanding of the nature of non-current assets is extremely important for ensuring stable functioning and sustainable development of enterprises. Non-current assets form the basis of the resource base of companies, contributing not only to the support of basic production processes, but also to the formation of their strategic competitive advantage in the market. Different approaches to the definition and classification of this category of assets, which includes tangible, intangible assets and long-term investments, emphasize the need for a deep understanding of their economic essence and significance in financial reporting.

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