



PROFESSIONAL COMPETENCIES AND EDUCATIONAL INNOVATIONS IN THE KNOWLEDGE ECONOMY

Collective monograph

Veliko Tarnovo, 2020

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CONTENTS

Chapter 1. EDUCATION, PEDAGOGY AND PHILOLOGY

Nataliya Holovko, Svitlana Balashova, Liudmyla Bakhmach	7
THEORETICAL APPROACHES TO FORMATION OF PEDAGOGICAL CREATIVITY OF FUTURE TEACHER	
Iryna Udovychenko	18
INTEGRATION OF NATURAL SCIENTIFIC AND COMPUTER-INFORMATION KNOWLEDGE AT GEOGRAPHY LESSONS IN SENIOR PROFILE HIGH SCHOOL	
Yurii Prykhodko, Serhii Strikha, Vadim Shemchuk	28
QUALITY OF EDUCATIONAL ACTIVITY AND EDUCATION IN HIGHER MILITARY EDUCATIONAL INSTITUTION: SYSTEMIC-AND-TECHNOLOGIC APPROACH	
Oleksandr Kovalenko	43
THEORETIC AND METHODOLOGICAL FOUNDATIONS OF PROFESSIONAL TRAINING OF TOURIST ACCOMPANIMENT PROFESSIONALS (TOUR GUIDES)	
Olena Stepanenko, Viktoriia Zinchenko, Anna Kyrpa	55
MEDIA EDUCATION AS A STUDENTS' SOCIALIZATION MEANS IN MODERN MEDIA SCENE	
Oksana Hutyryak, Iryna Voloshanska	65
EDUCATIONAL POTENTIAL OF FOREIGN LANGUAGE COURSE IN MODERN HIGHER SCHOOL	
Nataliia Marchenko, Halyna Yuzkiv	75
COMPETENCY-BASED APPROACH WITHIN THE FRAMEWORK OF PROFESSIONAL DEVELOPMENT OF TEACHERS OF PHILOLOGICAL DISCIPLINES	
Halyna Tkachuk, Volodymyr Stecenko, Nadiia Stecenko, Tetiana Bondarenko	86
METHODICAL SYSTEM OF PRACTICAL AND TECHNICAL TRAINING FOR FUTURE IT TEACHERS IN THE CONTEXT OF BLENDED LEARNING	
Oleksandra Borzenko	103
THE FEATURES OF THE DISTANCE EDUCATION PROCESS IN FOREIGN LANGUAGE LEARNING	
Natalia Polischuk	113
METHODOLOGICAL AND EDUCATIONAL STRATEGIES OF A YOUNG PERSON'S FORMATION OF THE MODERN AND FUTURE CENTURY	
Anna Shotova-Nikolenko	124
THE ONOMASTIC SPACE OF JOHN KEATS'S ODES	
Semen Abramovich, Iryna Muradkhanian, Mariya Chikarkova	135
DIALOGUE WITH THE BIBLE IN THOMSON'S WORLD OF ARTS	

Liubov Pavliuk	144
COMPETENTLY ORIENTED TASKS OF ELECTRICAL ENGINEERING AS A MEANS OF FORMATION OF ELECTRICAL ENGINEERING COMPETENCE IN FUTURE TEACHERS OF LABOR TRAINING AND TECHNOLOGIES	
Valentyna Afanasenko, Alla Sirenko	153
PSYCHOLOGICAL AND PEDAGOGICAL PRINCIPLES OF THE SELF-CONFIDENCE DEVELOPMENT	

Chapter 2. MANAGEMENT, ECONOMICS AND SERVICE

Natalya Lokhman, Tatyana Beridze	166
INTEGRATION OF INNOVATION AND INVESTMENT STRATEGIES OF INDUSTRIAL ENTERPRISE	
Ganna Duginets, Mariana Petrova	174
THE ESSENCE OF HYBRID WARS IN THE XXI CENTURY	
Yuliia Hrybovska, Liliia Khodakivska, Zhanna Kononenko	189
EXECUTION OF TRANSACTIONS WITH FIXED ASSETS AS EXPRESSION OF ACCOUNTING PROFESSIONAL COMPETENCE	
Tetiana Sivashenko, Iryna Panasyuk, Vitaliy Panasyuk	200
PERFORMANCE OF THE COMPANY'S RESTRUCTURING IN THE LIGHT OF RESPONSIBILITY OF THE MAIN CAPITAL OF THE LEASER OF AVIATION TECHNOLOGY AS ASUBSIDIARY IN FOREIGN ECONOMIC ACTIVITY	
Volodymyr Panteleiev	221
THE CURRENT SITUATION OF THE ORGANIZATION AND METHODOLOGY INTERNAL AUDIT OF COMPANIES IN EUROPE	
Lyudmyla Svystun, Yuliya Popova	235
INNOVATION-INVESTMENT ASPECTS OF SMALL BUSINESS ENTERPRISE DEVELOPMENT	
Iryna Kolesnyk, Andrii Cherkasov	247
INTELLECTUAL MIGRATION AS A CHALLENGE OF INNOVATIVE DEVELOPMENT OF NATIONAL ECONOMY	
Natalia Yevtushenko, Oksana Palamarchuk, Olesia Skliarenko	258
FORMATION OF MARKET LAND RELATIONS IN UKRAINE	
Olha Kuchma, Liudmyla Sinova, Galyna Kuzmenko	273
HEADS AND TOP EXECUTIVES: SUBJECT COMPOSITION AND RELATIONS BETWEEN THE CONCEPTS IN UKRAINIAN LEGAL SPACE	
Maryna Dubinina, Yuliia Cheban, Svitlana Syrtseva	282
THE EVOLUTION OF THE CONCEPT OF "SOCIAL ACCOUNTING" AS A COMPONENT OF THE ACCOUNTING SYSTEM OF AGRICULTURAL ENTERPRISES	

Vyacheslav Kavetskiy	292
INVESTMENT EFFICIENCY MANAGEMENT OF MACHINE-BUILDING ENTERPRISES: THE IMPACT OF A AGREED PURPOSE	
Andriy Hrymalyuk, Pavlo Nesenenko, Tetyana Sukhova	303
ECONOMY OF KNOWLEDGE AND CREATIVE ACTIVITY: THEORY AND METHODOLOGY OF ANALYSIS	
Victoriya Gonchar, Irina Korostova	315
FORMATION OF ENTERPRISE DEVELOPMENT MANAGEMENT SYSTEM CONSIDERING ENVIRONMENTAL RISK	
Lidiia Kavunenko, Alexandra Vashulenko, Oksana Chernogaeva	330
INTEGRATION OF UKRAINE INTO EUROPEAN RESEARCH AREA: EXPERIENCE OF INTERNATIONAL COOPERATION	
Alina Maiboroda	344
SECURITY BENCHMARKING IN THE FRAMEWORK OF EFFECTIVE MANAGEMENT OF THE ECONOMIC FINANCIAL SECURITY SYSTEM	
Olena Horobets	353
THE BOOK TRADE AS A SUBCATEGORY OF THE INTERNATIONAL TRADE IN CULTURAL GOODS OF THE EUROPEAN UNION IN THE CREATIVE ECONOMY SECTOR: A STATISTICAL ANALYSIS	
Larisa Lutay, Sergey Tiulenev	364
ADULT EDUCATION REFORMS IN UKRAINE: PROBLEMS AND PROSPECTS	
Polina Puzyrova, Iurii Grechyshkin, Olena Yershova	377
RISK MANAGEMENT CONCEPT IN INNOVATIVE ACTIVITIES OF MODERN ENTERPRISES	
Olena Oskoma, Marharyta Bezrodna, Nadiia Romanenko	390
MODERNIZATION OF THE REGIONS OF UKRAINE: ITS FEATURES	
Andrii Kalko, Tetiana Hlushkova, Nina Myronets	400
STUDY OF THE MODERN WORLD TRENDS INFLUENCE ON THE HOTEL INDUSTRY AS AN INTEGRAL PART OF THE QUALITATIVE TRAINING OF TOURISM SPECIALISTS	
Olena Baklanova	410
POLITICAL COMPETITION AS A CATALYST OF INSTITUTIONAL REFORMS	
Yurii Malakhovskyi, Ali Kanso, Maryna Bashynska	419
THEORETICAL AND APPLIED ASPECTS OF THE NATIONAL ECONOMY SOCIAL CAPITAL' FORMATION	
Myroslava Bublyk, Oleksandr Maslak, Kateryna Doroshkevych	436
INNOVATION DEVELOPMENT OF THE SYSTEM OF MANAGEMENT OF ENTERPRISE PRODUCTION POTENTIAL IN THE KNOWLEDGE ECONOMY	

Chapter 3. POLITICAL SCIENCE, PSYCHOLOGY AND SOCIOLOGY

Iryna Burlakova, Olexii Sheviakov, Ihor Shramko	446
PSYCHOLOGICAL BASES OF OCCUPATIONAL HEALTH OF SPECIALISTS OF ECONOMIC SPHERE	
Yana Raievska	458
ANALYSIS OF PSYCHOLOGICAL READINESS FOR INTERPROFESSIONAL INTERACTION OF SOCIAL WORKERS: THEORETICAL AND METHODOLOGICAL ASPECT	
Vira Chudakova	473
RESOURCES DEVELOPMENT OF THE COMPETENCES OF PERSONALITY COMPETITIVENESS IN TERMS OF INNOVATIVE ACTIVITIES	
Iryna Ksonzhyk, Olha Luhova, Tetiana PISOCHENKO	486
GENDER INEQUALITY IN HIGHER EDUCATION AND SCIENCE: GLOBAL AND NATIONAL ASPECTS	

Chapter 4. PHILOSOPHY, JOURNALISM AND LAW

Tatiana Filipenko, Anastasiia Filipenko, Nadiia Turner	497
ORGANIZATIONAL FUNDAMENTALS FOR PREVENTING CORRUPTION IN LOCAL SELF-GOVERNMENT BODIES	
Natalia Donii, Anna Kravchuk	510
CRITICAL THINKING AS FACTOR OF COMPETENCE OF REPRESENTATIVE OF LEGAL PROFESSION	
Olena Savchuk	520
LEGAL REGULATION OF ENVIRONMENTAL EDUCATION AS A BASIS FOR ENSURING THE ECOLOGISATION OF THE INNOVATION SPHERE	
Anna Politova, Mykhailo Akimov	531
GENITALS MUTILATION AS A CONSEQUENCE OF INTENTIONAL GRIEVOUS BODILY INJURY	
Andriy Bonbdarenko	542
VOCAL TRANSLATIONS IN THE MUSICAL EDUCATION SYSTEM IN UKRAINE	

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EXECUTION OF TRANSACTIONS WITH FIXED ASSETS AS EXPRESSION OF ACCOUNTING PROFESSIONAL COMPETENCE

Abstract. *Documenting fixed assets requires a considerable amount of time and attention from their executors, since the approved standard forms of primary accounting are morally outdated. In some cases, entities use self-developed document forms, which requires additional time to develop them. The article investigates the value of fixed assets in the economic activities of economic entities, formulated their definition, presents a value criterion for the classification of objects in the composition of fixed assets. The method of filling in the standard forms of primary documents for accounting for fixed assets is presented, in particular: Act of acceptance-transfer (internal movement) of fixed assets, Act of acceptance-delivery of repaired, reconstructed and modernized objects, Act of write-off of fixed assets, Act of decommissioning of vehicles, vehicles Fixed Asset Accounting Cards, Inventory Cards Description, Fixed Assets Inventory. The authors propose a fixed assets registry, which is designed with the legal classification of fixed assets and their details, based on the principle of group accounting of the same fixed assets, which allows you to quickly obtain information about the composition of fixed assets of the enterprise at any date. It has been found that no specialized forms for the initial documentation of land transactions have been approved at the legislative level. It is recommended to use the Land Inventory Card. The details of the form are distinguished: account, original cost, method of receipt, monetary valuation, credit score, materially responsible person, revaluation, improvement, use and purpose.*

Introduction.

The fixed assets are the basis for any activity. The results of the business entity depend on their number, value, qualitative condition and effective use.

Fixed assets are tangible assets held by an enterprise for the purpose of using them in the process of production or supply of goods, rendering services, leasing to other persons or for performing administrative and socio-cultural functions, the expected useful life (operation) of which is more than one year (or operating cycle if longer than one year) [1].

The fixed assets include: land, buildings, structures, transmission equipment, machinery and equipment, vehicles, tools, production and economic equipment, adult working and productive livestock, perennial plantations and others.

The Tax Code of Ukraine defines the value limit for attribution of assets to fixed assets – 6000 UAH without value added tax [2].

Documentation of operations with fixed assets of the enterprise requires care, perseverance and patience when filling in the forms. Presence in some typical forms of accounting and write-off of fixed assets of obsolete requisites, lack of methodological recommendations for their filling, as well as granting to business entities the right to document business transactions using self-made forms, which must contain obligatory requisites or requisites of typical forms complicate the process of drafting documents.

The purpose of the article is to study and improve the documentation of the movement of fixed assets, to study the procedure for assigning inventory numbers to fixed assets by economic entities.

To achieve this goal, we used content analysis of the content of regulatory acts that regulate the procedure for documenting transactions with fixed assets; the existing practice of primary accounting of fixed assets is generalized.

The accountant of an enterprise, while performing accounting work related to fixed assets, is primarily guided by the following legal acts: Regulation (Standard) of Accounting 7 «Fixed Assets» [1], Tax Code of Ukraine [2], Order of the Ministry of Statistics of Ukraine «On approval of standard forms of primary accounting» [3], Order of the Ministry of Finance of Ukraine «On approval of standard forms for accounting and write off of fixed assets by public sector entities and the procedure for their preparation» [4]. The unit of accounting for fixed assets is a separate item of fixed assets (Fig. 1).

In the course of business transactions, there is a movement of fixed assets, which is associated with their receipt, internal movement and disposal. These transactions formalize the standard forms of primary documents, which are provided by the Decree of the Ministry of Statistics of Ukraine «On approval of standard forms of primary accounting» of December 29, 1995 № 352 (here-in-after – Decree № 352) [3]. The accounting for fixed assets has changed several times, but the standard forms have remained unchanged, however, the standard forms are not universal. Taking into account outdated forms of primary documents for accounting for fixed assets, the Ministry of Finance of Ukraine approved modern standard forms for accounting and writing off of fixed assets for public sector entities and allowed them to be used by any other domestic legal entities, as well as representative offices of foreign economic entities [4].

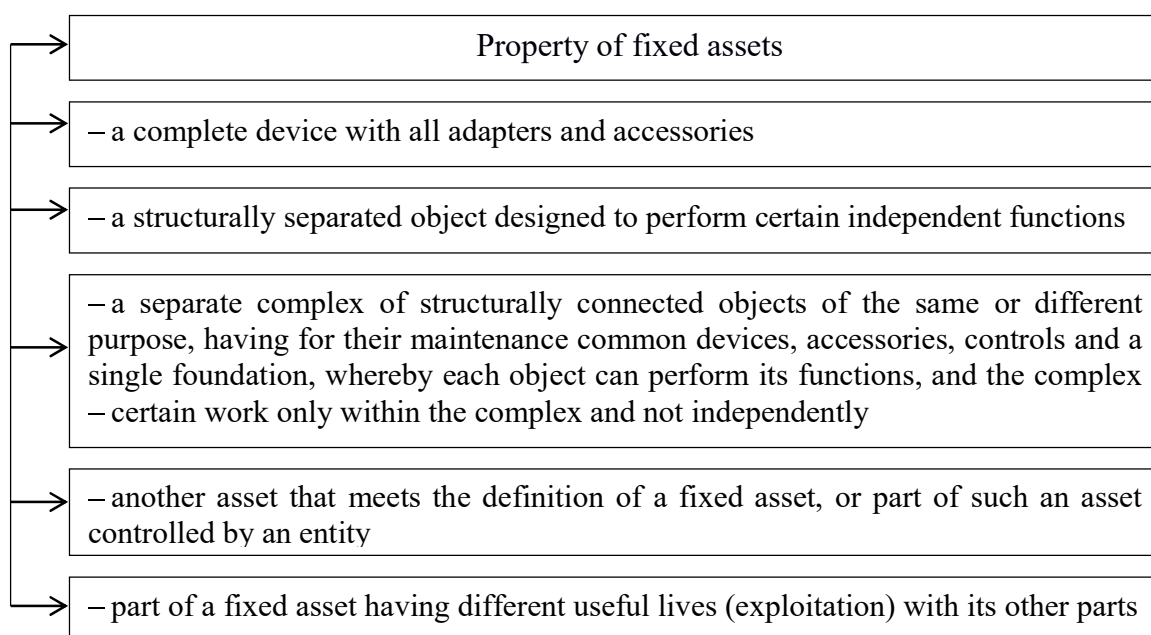


Fig. 1. Criteria for fixed asset accounting

We describe the primary documents for accounting for the receipt and disposal of fixed assets.

1. Documentation of the receipt of fixed assets

On the basis of the Act of acceptance-transfer (internal movement) of fixed assets (form № FA -1) (here-in-after - form № FA-1) make out:

- listing of individual objects in the fixed assets;
- transfer of objects of fixed assets from storage to operation;
- the commissioning of construction sites (unless, in accordance with applicable law, the commissioning of sites must be completed in a special manner);
- internal movement of fixed assets from one unit to another;
- exclusion of assets from the fixed assets when transferring them to another enterprise.

Decree № 352 does not specify separately the procedure for documenting the acceptance and transfer of fixed assets for operating (operational) lease. But since this order establishes the procedure for documenting transactions with fixed assets, it is advisable to be guided during the registration of lease transactions. Documentary confirmation of the fact of the transfer of objects is important, since rented fixed assets are accounted on the balance sheet of one enterprise and are in fact at the disposal of another [3].

The landlord's leased item is accounted for on the balance sheet, but if it is a separate inventory item that can be moved from one place to another, it may not be available. Form № FA-1 is the document confirming the validity of the absence of such an object.

The lessee has an operating lease that is actually available but is not accounted for in the balance sheet. Form № FA-1, together with the agreement, is a documented acknowledgment that the object has been leased, not for free.

Form № FA-1 consists of:

- every object that comes in;
- several items of the same type (household equipment, tools, equipment), if received in the same calendar month and at the same cost.

Accounting (standard) Regulation 7 (here-in-after – A(s)R) «Fixed assets» defines the concept of «object of fixed assets».

In accordance with paragraph 10, paragraph 4 A(s)R 7, «if one item of fixed assets consists of parts that have different useful lives (operation), then each of these parts can be recognized in accounting as a separate item of fixed assets». In this case, the form №FA-1 must be drawn up for each such part. Conversely, if multiple items are purchased as a single kit, this kit may be considered as a single item under A(s)R 7. For accounting it is enough to fill in one copy of the form № FA-1 [1].

Depending on the nature of the movement of the fixed asset, the act must be drawn up in one, two or three copies (table 1).

Table 1.Options of registration of the Act of acceptance-transfer (internal movement) of fixed assets (form № FA-1)

№ i/o	The nature of the operation	Number of copies of the act and their purpose		
		first copy	second copy	third copy
1	2	3	4	5
1.	The item was purchased directly from the manufacturer or through a trading company and a delivery note was received from the vendor. The act is drawn up by a commission appointed by the head of the enterprise, who confirms the act	The act, together with the supplier's invoice and the technical documentation for the object, shall be submitted to the accounting department	Do not create	
2.	The item was purchased from another entity that used it as an item of property, plant and equipment and at the time of transfer issued the same act. The act is drawn up by a commission appointed by the head of the enterprise, who confirms the act	The act, drawn up at the enterprise, together with the act received from the applicant and the technical documentation of the object is submitted to the accounting department		
3.	The object is transferred from one business unit to another (internal relocation). The act is drawn up by the employee of the unit that transfers the object. The act is signed by the responsible employees of the units that transmit and receive it	The act is transferred to the accounting department. An act made when an object is credited to an item of property, plant and equipment is marked by its relocation	Remains in the unit that passed the object	Do not create

№ i/o	The nature of the operation	Number of copies of the act and their purpose		
		first copy	second copy	third copy
1	2	3	4	5
4.	Free transfer of property, plant and equipment to another enterprise. The document is drawn up on the basis of the decision of the head of the enterprise or on the basis of the decision of the relevant bodies (in cases provided by the law)	The act remains with the enterprise (stored in accounting or archives throughout the period prescribed by law)	Transmit to the recipient company	Do not create
5.	Transfer (sale) of an item of property, plant and equipment to another enterprise for a fee		The act remains with the company (stored in the department that passed the object)	Transmit to the buyer's company, together with a copy of the inventory of fixed assets accounting card and technical documentation
6.	Lease of property, plant and equipment	The act remains in the accounting department of the landlord	It remains in the hands of the landlord in the department that passed the object	Transmit to the tenant with a copy inventory of fixed assets accounting card and technical documentation

The act of acceptance-delivery of repaired, reconstructed and upgraded objects (form № FA-2) is used for registration of acceptance-delivery of fixed assets after repair, reconstruction and modernization. The act specifies the cost of repair in accordance with the contract (estimate for repair work). A one copy of the act is made if the repair, reconstruction or modernization is performed by the enterprise's own resources. In this case, the act is signed by the authorized representative of the unit to which the repaired object is transferred, and the representative of the unit that performed the repair. In addition, the act must be signed by the chief accountant and approved by the manager or his authorized representative. An act is made in two copies if the repair, reconstruction or modernization is performed by a third-party company. In this case, the act is signed by the authorized representative of the owner enterprise (or tenant) of the object and the representative of the repair company. In this case, the act is signed by the chief accountant and approved by the head of the enterprise to which the object belongs, or by his authorized person.

The first copy of the act is transferred to the accounting department. On the basis of the act, the inventory card contains the data on the performed repair. The second copy of the act is transferred to the repair company.

If the technical characteristics of the object have changed as a result of repairs, upgrades, reconstructions, they make changes to the relevant section of the act and the technical passport of the object.

When drafting an act, you must take into account the peculiarities of accounting in the accounting of the costs associated with the repair, reconstruction, modernization, etc. of own and leased assets of fixed assets:

- if the costs do not increase the economic benefits initially expected from the use of the item (repair), they are recognized as an expense in the current period or accumulated on a special subaccount and recognized as an expense in the period in which the object will be restored after repair. In this case, it is not necessary to make the form № FA-2 (the form is necessary if the object is transferred to another unit at the time of repair);

- if the costs lead to an increase in the economic benefits initially expected from the use of the facility (modernization, reconstruction, etc.), the original (revalued) value of the entity-owned object should be increased by the amount of such costs or the initial cost should be generated with the conditional name «Expenses for the modernization (reconstruction) of the leased object».

2. Documentation of disposal of fixed assets

The act of write-off of fixed assets (form № FA-3) is applied for registration of disposal of certain inventory objects of fixed assets (except for vehicles) in case of their complete or partial liquidation (disassembly, destruction). The act is drawn up in two copies by a permanent commission at the enterprise, the head approves. The first copy of the act is transferred to the accounting department, the second remains to the responsible person, who is in charge of the liquidated object. The document is the basis for the delivery of scrap metal, spare parts and materials resulting from the liquidation of the object.

The section «Calculation of results of the write-off of the object» reflects the costs of liquidation of the assets of fixed assets, as well as the cost of tangible assets derived from the dismantling of buildings and structures, the dismantling of equipment and other fixed assets.

The registers of analytical accounting of disposable fixed assets are appended to the documents that show the facts of disposal of fixed assets. In order to determine the financial result of the disposal of an item of property, plant and equipment, it is necessary to deduct the residual value of the item, the amount of indirect taxes and the amount of expenses associated with the disposal of the item of property, plant and equipment.

Income received in the event of liquidation of property, plant and equipment is the value of tangible assets that can be used (spare parts, individual parts) or sold to the side (scrap metal, etc.). The following tangible assets are reflected in the accounting by correspondence of accounts: credit (here-in-after –Cr) of subaccount 746 «Other income» and debit (here-in-after –Dt) of one of the subaccounts of account 20 «Production inventories».

Depending on the type of tangible assets, these may be subaccounts: 201 «Raw materials», 203 «Fuel», 204 «Packaging materials», 205 «Building materials», 207 «Spare parts» or 209 «Other materials». In addition, subaccount 209 also reflects tangible assets derived from the elimination of property, plant and equipment that cannot be used as materials, fuel or spare parts in the enterprise (scrap, scrap), worn tires; etc.

The residual value of an item is the difference between its original cost and the amount of accumulated depreciation. In this case, accounting records are made: Dt of subaccount 131 «Depreciation of fixed assets» and Cr of one of the subaccounts of account 10 «Fixed assets» (for the amount of depreciation); Sub-account Dt 976 «Write-off of non-current assets» and Cr of one of sub-accounts of account 10 «Fixed assets» (for residual value). In addition, the act should reflect the costs associated with the liquidation of the object (for example, payroll employees who completed the liquidation, payment for services of third parties, etc.). Such costs are recorded in the accounting records for the respective subaccounts and Dt of subaccount 976. The deed of motor vehicles (form № FA-4) is used for registration of disposals of vehicles (trucks or cars, trailers, semi-trailers) as a result of their deterioration, moral aging or destruction due to an accident, natural disaster. The act of writing off is given by the members of the standing committee in two copies, one of which is transferred to the accounting department, the other remains with the person responsible for the storage of fixed assets. The act states:

- name of the vehicle to be written off;
- reasons for writing off:
- original cost;
- service life;
- number of major repairs and their amount.

In the section «Calculation of the results of the write-off of the car (trailer, semi-trailer)» indicate the costs associated with the elimination of fixed assets (dismantling the object, disassembly, etc.), as well as information about the material received.

According to Decree No. 352, there are two forms of an act for writing off fixed assets: form № FA-4 – for motor vehicles and form № FA-3 – for all other types of fixed assets, since motor vehicles have specific features that are displayed in the form № FA-4, it provides special lines, which contain detailed information about the vehicle in general (make, model, type of vehicle, etc.), as well as its individual components and parts [3].

Both forms, which are intended to write off fixed assets, are important for tax accounting: their availability can be a reason for not deducting value added tax liabilities in case of liquidation of the object. Legislation requires that the fact of liquidation of an item of property, plant and equipment be documented. In this case, no value added tax liability arises. Together with other documents (invoice for acceptance of scrap metal from the receiving organization, documents on removal of motor vehicle from accounting, display in accounting of material values received from liquidation of the object, etc.) forms № FA-3 and № FA-4 provide taxpayers an opportunity to avoid paying value added tax.

3. Inventory of fixed assets

Inventory of fixed assets accounting card (form № FA-6) is used for:

- individual accounting of each asset of fixed assets;
- group accounting of the same assets of fixed assets, which came into operation in one calendar month and have the same industrial purpose, technical characteristics and the same value. In this case, the card is filled by position records of each individual asset of fixed assets. Form № FA-6 is completed in one copy on the basis of form № FA-1, invoices, technical and other supporting documentation.

The card should give a brief individual characteristic of the object, which contains the most important quantitative and qualitative indicators. It is desirable to indicate the indicators (distinctive features) that are not available in the accompanying technical documentation for this item of fixed assets. In the case of group accounting, a brief individual characteristic is given not by each object, but by the group of such objects.

If the item of property, plant and equipment has undergone completion, retrofitting, reconstruction, modernization or overhaul, then after completion of the work on the basis of form № FA-2, make the appropriate entries in the inventory card. If all the data about the change of object does not fit into one form, they open a new card. The old inventory card is stored as a reference document, marking the opening of the new card.

In the case of internal movement of fixed assets, such movement is recorded on the back of the inventory card.

Description of inventory cards for accounting for fixed assets (form № FA-7) is used to register inventory cards opened for analytical accounting of fixed assets. The description is made in one copy by an accountant. The purpose of the description is to control the storage of inventory cards.

Pursuant to Decree № 352, only the sample form № FA-7 was approved [3].

Inventory of fixed assets (form № FA-9) is applied for the objective accounting of fixed assets assigned to each materially responsible person at the location (operation) of the fixed assets object. It performs the same functions as Form № FA-6. Accordingly, the data in these two documents should be the same.

There is currently no standard form for a business entity to register inventory of its fixed assets and to control the period of commissioning and disposal of assets. A typical example of the Register is given below, fig. 2.

The presented form of the register is constructed taking into account the statutory classification of fixed assets and their detail, adopted independently by the economic entity, that is, on the principle of group accounting of the same fixed assets, which allows to obtain quickly information about the composition of fixed assets of the enterprise at any date. The availability of information on the timing of the item of fixed assets on the balance sheet, opening an inventory card, its disposal helps to control the correct organization of primary accounting for fixed assets.

LLC «Svitanok»

name of the enterprise (organization, institution))

Code by USREOU

1	2	3	4	5	6	7	8
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LIST OF FIXED ASSETS

Started «02» January 2020

Inventory number			Name of the fix asset	The act of acceptance – transfer (commissioning) of fixed assets	Inventory card or inventory entry		Disposal of the fixed asset	
Subaccount number	Subgroup	the ordinal number of the subject in the subgroup		date	number	date	document	date
104	104.23	104.23.12	Monitor Samsung	02.12.2020	25	02.12. 2020		

Fig. 2. Sample form of fixed assets register

The inventory number is fixed to the item of property, plant and equipment for the entire duration of its stay in the enterprise and must be indicated on it. To do this, it can be affixed to a token that is affixed (glued, screwed) to the object, or to be marked with paint on the object, or otherwise affixed. When an inventory item is complex, it includes certain separate items that make up one whole with it, the same inventory number that is affixed to the main item is affixed to each such item.

An inventory number is a mandatory requisite for all primary documents that cover business operations in the construction, manufacture, purchase, commissioning, maintenance, improvement and disposal of fixed assets.

When conducting an inventory of property, plant and equipment, the Inventory Commission (Working Inventory Commission) not only makes sure that the appropriate inventory number is available for each item of property, plant and equipment, but also that it is appropriately assigned to that item. Only after performing these procedures, the inventory number of the fixed asset is indicated in the inventory description.

The inventory numbers of disposable fixed assets are not assigned to other fixed assets that have been transferred to the enterprise.

Leased property, plant and equipment may remain with the landlord's inventory number (unless the number is assigned to a tenant).

4. Depreciation of fixed assets

During operation, fixed assets are worn out and depreciation is charged.

Depreciation is the systematic distribution of the value of fixed assets over their useful life (operation).

Methods of depreciation of fixed assets are given in table 2.

Table 2. Depreciation methods for fixed assets [1]

Depreciation method	Calculation rules
Rectilinear	Annual depreciation amount = (initial (or revalued) – liquidation): the useful life of an item of property, plant and equipment. Monthly depreciation = annual: 12 months
Decrease in residual value	Annual depreciation amount = original cost at the date of commencement of depreciation x annual depreciation rate. Annual depreciation = the residual value of the item at the beginning of the reporting year x the annual depreciation rate. The annual depreciation rate (in percentage) is calculated as the difference between the unit and the result of the root of the number of years of useful life of the object as a result of dividing the liquidation value of the object by its original value
Accelerated reduction of residual cost	Annual depreciation = the residual value of the asset at the beginning of the reporting year (or the original cost at the date the depreciation began) x 2-year depreciation rates that are calculated based on the useful life of the asset
Cumulative	Annual depreciation = (original (or revalued) - liquidation) x cumulative coefficient. The cumulative coefficient is calculated by dividing the number of years remaining to the end of the useful life of an item of property, plant and equipment by the number of years of its useful life
Industrial	Monthly Depreciation Amount = Actual Monthly Amount of Products (Works, Services) x Production Depreciation Rate. The depreciation production rate is calculated by dividing the depreciable cost by the total amount of production (works, services) that the enterprise expects to produce (perform) using the fixed asset

Depreciation on property, plant and equipment (other than tangible fixed assets) is used to determine the amount of depreciation of property, plant and equipment and the period over which depreciation is charged. It records accounting depreciation.

As depreciation is accrued on a monthly basis, so is the depreciation calculation on a monthly basis - on the last day of the month. Information about fixed assets is recorded in the Depreciation calculation with the indication:

- the name of the object;
- inventory number;
- the subaccount on which the object is accounted for and the subaccount of expenses on which the accrued depreciation is kept;
- the amortized cost is the initial or revalued value of the non-current assets, net of their liquidation value;
- the annual amount of depreciation;
- the number of months of useful use (operation) in the period;
- amounts of wear at the beginning and end of the period.

Depreciation is calculated by an accountant who is responsible for accounting for fixed assets. The accountant calculates depreciation, the chief accountant confirms the data with a signature. Fill in one copy.

Conclusions.

The degree of detail of the content and volume of the business transaction is determined by the persons responsible for carrying out the business operation and the correctness of its design. Detailing should ensure that the substance of the business transaction is disclosed, and the assets, liabilities, income or expenses associated with it are identified.

Documents on accounting for fixed assets shall be drawn up at the time of conducting the business transaction or, if this is not possible, immediately after its completion.

Depending on the operations carried out, business entities may use in their activity primary documents of standard and specialized forms, as well as self-developed forms, which are recorded in the order on the organization of accounting at the enterprise. The free lines in the primary documents are crossed out.

The persons who compiled and signed them are responsible for the timely preparation of the original documents and the reliability of the data displayed therein.

At the legislative level, a number of fixed assets accounting documents have been approved, but no specialized forms have been approved for the primary documentation of land transactions. It is advisable to use the following forms of registers of object analytical accounting:

a) Inventory card for accounting for fixed assets (except land). Form requisites: account, original cost, method of receipt, materially liable person, date, accrued depreciation data, revaluation / improvement, operating conditions;

b) Inventory card of land account. Form requisites: account, original cost, method of receipt, monetary valuation, credit score, materially responsible person, revaluation, improvement, use, and purpose.

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