

## PECULIARITIES OF INVENTORY IN PUBLIC SECTOR OF ECONOMY OF UKRAINE

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**Abstract.** The peculiarity of the activities of public sector institutions of the Ukrainian economy is that they are forced to form and use their resources within the approved budget of revenues and expenditures. That is why it is important to monitor the condition and preservation of the property of such institutions. The purpose of the study is to identify ways to improve the stage of preparation for the inventory and its documentation by developing and approving an internal regulation on the inventory of public sector institutions. During the study of the essence of the concept of "institutions of the public sector of the economy", the principles and features of the inventory were used methods of scientific analysis, synthesis, scientific abstraction, the method of theoretical and logical generalization. One of the methods of control over the proper storage and use of the resource base of public sector institutions is inventory. The purpose of the study is to examine ways to improve the process of preparation and documentation of inventory in public sector institutions of the Ukrainian economy. General scientific and specific methods of scientific research were used in studying the issue. The issue of conducting an inventory and qualitative reflection of its results always remains relevant. According to our study, the emphasis was on recommendations for public sector institutions to develop and implement internal regulations on inventory of assets and liabilities, which will greatly simplify their current work not only before the preparation of annual financial statements but throughout the financial year.

**Keywords:** institutions of the public sector of the economy, inventory, inventory commission, regulations on inventory.

**JEL Classification:** H30, M40, M41

**Formulas:** 0; **fig.:** 3; **tabl.:** 0; **bibl.:** 8

**Introduction.** A special feature of public sector institutions is their activity, which requires maximum control over the proper use and preservation of their own property, which emphasizes the importance of inventory as a tool for such control. On the other hand, inventory is one of the elements of the method of accounting, so proper organization and detailed analysis of its implementation remains a topical issue.

**Literature Review.** Inventory in public sector institutions is an element of the accounting system that constantly needs research, but a number of scientists such as Bardash S.V., Belobzhetsky I.A., Belov M.G., Butynets F.F., Weizman N.V., Gorelkin V.G., Zuev M.P., Ilyin N.I., Nemchinov P.P., Kramarovsky L.M., Kuzhelny M.V., Sokolov Y.V., Shpig O.O. etc., repeatedly raised this issue in their works.

Theoretical and practical aspects of the organization and conduct of the inventory are reflected in the works of such scientists as F.F. Butynets, V.V. Borodin,

V.S. Len, N.M. Malyuga, V. Nagorny, V.M. Parkhomenko, V.V. Glivenko and others.

The scientific achievements of the above-mentioned scientists have made a significant contribution to the study of inventory, but the issues of quality organization and preparation for the inventory of public sector institutions remain open.

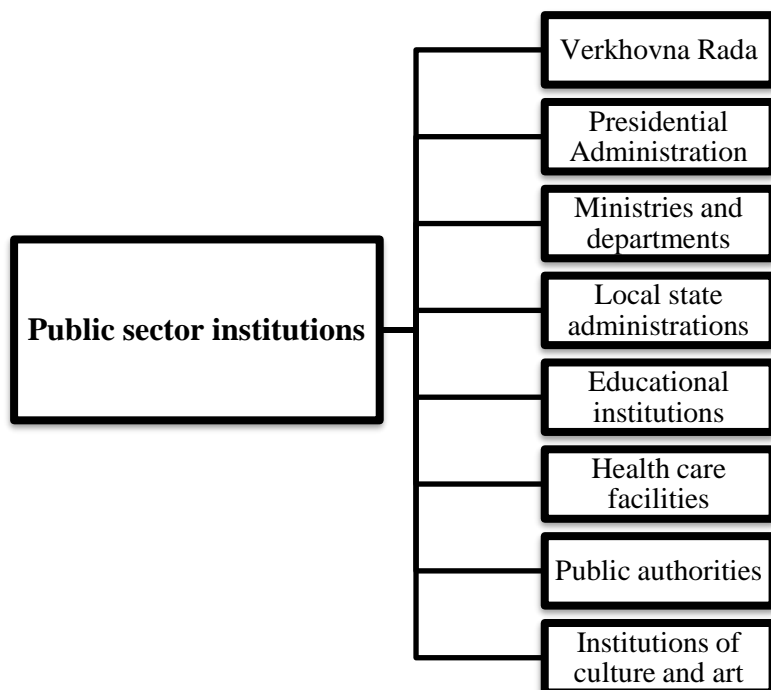
**Aims.** The purpose of the study is to identify ways to improve the stage of preparation for the inventory and its documentation by developing and approving an internal regulation on the inventory of public sector institutions.

**Methods.** During the study of the essence of the concept of "institutions of the public sector of the economy", the principles and features of the inventory were used methods of scientific analysis, synthesis, scientific abstraction, the method of theoretical and logical generalization.

**Results.** The activities of public sector institutions have a number of features that in turn affect the construction of accounting. They are non-profit organizations and operate on state property rights. The peculiarity of the activities of public sector institutions is that the purpose of their activities is not to generate profit, but to achieve the indicators provided for in the plans and estimates, the implementation of the tasks and functions specified in the statute or provided by the funding program.

A public sector institution is an organization created by a public authority to perform administrative, socio-cultural, scientific, technical or other non-commercial functions, whose activities are financed from the state budget or extra-budgetary funds based on estimates of revenues and expenditures [6, p. 6-7].

Institutions of the public sector of the economy include (Fig. 1.)



**Figure 1. Institutions of the public sector of the economy of Ukraine**

Source: developed by the authors based on [6].

The system of accounting and financial reporting of public sector institutions of the Ukrainian economy is in a state of transformational change and has a number of problems and shortcomings that need to be addressed immediately. Such key changes include:

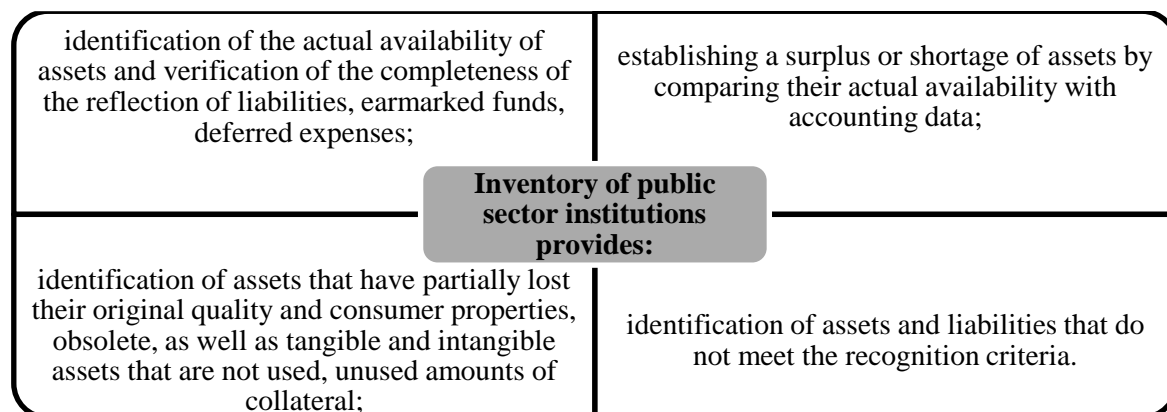
- the need for final adaptation of Ukrainian legislation on accounting and financial reporting to international requirements;
- the lack of a uniform methodology in the legislation to reflect in the accounting operations of budgetary institutions, which does not allow to obtain complete, reliable, transparent and comparable information about the financial condition of the state;
- lack of a unified accounting policy and the development of methodological and methodological recommendations on the conduct and organization of accounting and reporting.

Among a number of unresolved issues regarding the methodology of accounting and reporting, the most relevant, especially at the moment, are issues related to the preparation and conduct of inventory in public sector institutions.

Inventory is a comparison of accounting data about the property of the institution, regardless of its location, as well as all types of financial liabilities with their actual availability [2].

Conducting an inventory in public sector institutions is regulated by such basic regulations as: the Law of Ukraine "On Accounting and Financial Reporting in Ukraine"; Regulations on inventory of assets and liabilities; Regulations on the inventory of military property in the Armed Forces; The procedure for conducting an inventory of equipment in state and municipal health care facilities that provide secondary (specialized) and tertiary (highly specialized) medical care; Order of the Ministry of Finance of Ukraine "On approval of standard forms for budgetary institutions to reflect the results of the inventory" and others [1,2,3,4,5].

The key purpose of the inventory is to ensure the reliability of accounting data and financial statements of public sector institutions. During the inventory of assets and liabilities are checked and documented their presence, condition, compliance with the criteria for recognition and evaluation (Fig. 2.).



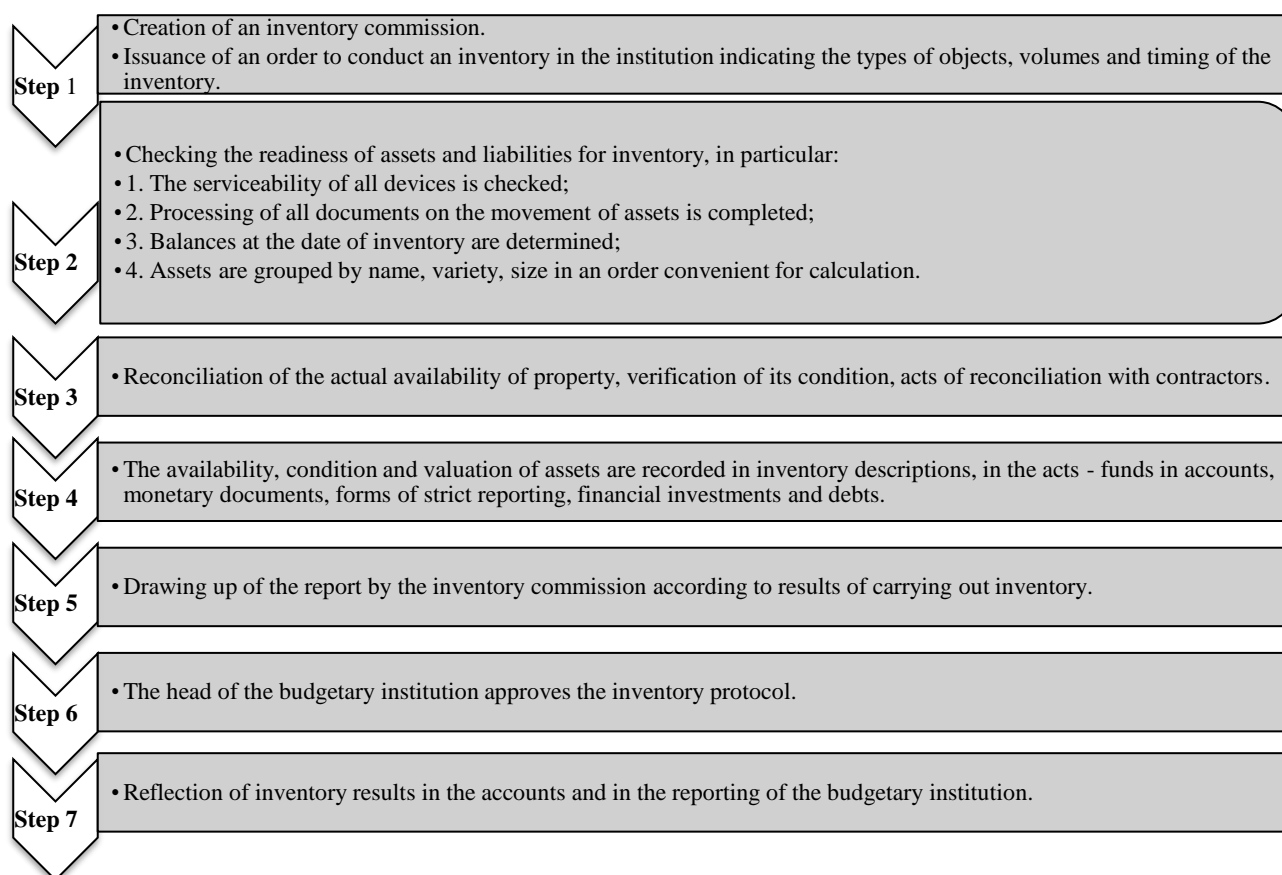
**Figure 2. Tasks of inventory of institutions of the public sector of the economy of Ukraine**

Source: development by authors

The main reference point when organizing and conducting an inventory for institutions of the public sector of the economy of Ukraine is the Regulation on inventory of assets and liabilities № 879, which regulates the inventory procedure and the procedure for registration of its results. This provision contains a methodology for conducting an inventory of public sector institutions.

It is well known that each public sector institution is required to conduct a continuous inventory of assets and liabilities each year prior to the preparation of the annual financial statements. Usually, the inventory starts from October 1 of the reporting year, because for certain types of assets, the inventory period is 3 months.

To begin with, the head of the institution must issue an inventory order, and an inventory commission must be established. Usually, during the inventory at the end of the year, institutions also set up working inventory commissions to inspect certain types of assets and materially responsible persons. The stages of the inventory are shown in Figure 3.



**Figure 3. Stages of inventory of public sector institutions**

Source: development by authors based on [2]

Without denying the importance of all stages of the inventory in public sector institutions, the initial stage needs attention. The fact is that the correct organization of the inventory process will greatly simplify the work of inventory commissions and the head himself.

In our opinion, despite the existence of Regulation № 879, which defines the general aspects of the inventory, each institution of the public sector of the economy

is recommended to develop and approve its own regulations on the inventory of assets and liabilities. This means that, based on legal regulations, the head of the institution, together with the accounting and financial service must approve the basic rules of inventory. This is an appropriate solution, because there are cases when at the end of the year it is impossible to cover the inventory of all types of assets and liabilities, and there are cases when it is necessary to set separate dates for the inventory.

The Regulations on inventory, developed by the head of the institution must specify:

1. Objects and types of inventory.

This item describes the assets and liabilities that will be subject to inventory and are registered with institutions, regardless of the timing of the inventory.

2. Frequency and timing of inventory.

Here it is important to indicate the terms for certain types of assets and liabilities that are registered in the institution of the public sector of the economy. It is important to anticipate all exceptions and indicate which objects will be inventoried at the end of the year and for which separate deadlines will be set.

3. Creation of inventory commissions (permanent and working), description of their tasks.

If, however, the management decides to create a permanent commission, its composition and term of office shall be indicated.

4. Features of the inventory for certain types of assets and liabilities (land, real estate, inventory, library and museum funds);

5. Procedure for settling discrepancies with accounting data (surpluses and shortages) identified during the inventory.

The creation of an internal inventory regulation will, first of all, regulate the issue of its timing. This primarily applies to cash settlements (cash and funds in accounts). Since public sector institutions are financed from the budget, the calculations are made in accordance with the estimates of revenues and expenditures, which is why their timeliness is not always maintained. Hence the need for inventory of cash registers and calculations at least once a quarter.

In the same provision, it is possible to approve a permanent composition of the inventory commission, which would allow in case of unforeseen situations to conduct an inventory immediately (for example, in case of change of materially responsible persons and transfer of material values). Of course, the commission may include:

- representatives of the management staff, accounting service (in particular, centralized accounting);
- Experienced employees of the institution, familiar with the object of inventory, prices and primary accounting.

The inventory commission may be headed by the head of the institution, which would be the best solution, regardless of the period and timing of the inventory.

Quite often, inventory issues are partially covered in the accounting policies of public sector institutions. Usually, this information is superficial, as it is impossible to describe in detail all the intricacies of the inventory in this document. This once again

emphasizes the feasibility of developing an internal regulation on inventory in public sector institutions of the Ukrainian economy.

**Discussion.** To assess the effectiveness of our proposed ideas for the development of internal regulations on the inventory of assets and liabilities, we propose to implement it in practice for public sector institutions. The best option is to start work on the formation of the situation at the beginning of the financial (reporting) year, as this will allow you to assess the effectiveness of such a decision during a particular period.

**Conclusion.** Based on the results of the study, we should focus on the following:

1. To achieve the maximum result during the inventory, it is necessary to plan its implementation at the beginning of the year.

2. One of the methods to improve the inventory in public sector institutions should be to develop and implement an internal regulation on the inventory of assets and liabilities of a particular public sector institution, depending on the specifics of its activities.

3. Responsibility for the effective conduct of the inventory should be borne by both the head and the accounting and financial service, which consists in constant monitoring of the condition and preservation of property.

**Author contributions.** The authors contributed equally.

**Disclosure statement.** The authors do not have any conflict of interest.

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