

Міністерство освіти і науки України

Національний університет харчових технологій

**80 МІЖНАРОДНА НАУКОВА
КОНФЕРЕНЦІЯ
МОЛОДИХ УЧЕНИХ,
АСПІРАНТІВ І СТУДЕНТІВ**

*“Наукові здобутки молоді –
вирішенню проблем харчування людства
у XXI столітті”*

Частина 4

10–11 квітня 2014 р.

Київ НУХТ 2014

76. Problems of financial and tax accounting in Ukraine

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Introduction: The accounting system in Ukraine is driven by the tax rules, Ukrainian tax officials are not concerned with financial accounting rules, whether Ukrainian or international.

This is one of the most important problems of all accounting and tax system because our government cannot choose a proper way to follow this question.

Ukrainian national financial reporting standards are very flexible, according to some interviewees. Where there are options, Ukrainian firms almost always choose the option that is close to, or identical to the tax rules. Of course, some firms do not follow the national standards at all.

There is a tendency to use the tax rules for the financial reporting. This tendency causes some problems at times. For example, the tax rule allows companies to deduct the cost of inventory when they pay for it, even if they have not yet received it. That is because the tax rules often follow a cash basis approach rather than the accrual basis.

Resources and methods: There are many scientists who investigated this problem such as Bondar V., Dorosh N., Pilipenko I. and many others. The method of system analysis was used in the given work.

Results: Accounting, or accountancy, is the measurement, processing and communication of financial information about economic entities. Accounting, which has been called the "language of business", measures the results of an organization's economic activities and conveys this information to a variety of users including investors, creditors, management, and regulators. This definition not always means the same responsibilities as tax system.

Substantiation of the problem urgency:

- Parallel existence of financial and tax accounting
- Domination of tax accounting
- Lack of external incentives for maintaining high quality financial accounting records and, as a consequence,
- Poor quality of financial accounting records and preparation of financial statements.

Lack of quality accounting records creates problems:

At the microeconomic level:

- Lack of a reliable information data base for making sound management decisions

At the macroeconomic level

- There is no reliable view of the state of the economy
- There is no reliable data base for the nation-wide planning purposes

Accounting standards make up a stable basis for maintaining financial accounting records and preparing financial statements. The government tax policy may be sufficiently flexible and may change, depending on the nature of economic processes.

Conclusions: Although accounting firms in Ukraine can develop a tax practice, and while there are tax clients, many Ukrainian enterprises prefer to pay the tax authorities directly rather than some accounting firm to make sure they will not have any tax problems.

So our government should choose a stable system of financial and tax accounting to be more similar way to count and pay it.

References

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