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**RESERVE AND ITS EVALUATION IN THE ACCOUNTING SYSTEM:  
A COMPARISON OF UKRAINIAN AND POLISH PRACTICES**

Reserve is an extremely important asset for production enterprises, which typically occupies a significant part of the company's asset structure. The performance indicators of the production process depend on their availability and the completeness of their evaluation. Therefore, let us examine more specifically the essence of the concept of reserve in the legislation of Ukraine and Poland; analyze the methodology for their evaluation in the accounting system of these countries (taking into account the norms of national accounting standards and international standards).

According to the requirements of P(S)A 9 «Reserves», reserves are «assets that are held for further sale (distribution, transfer) under conditions of ordinary business activities; are in the process of production for further sale of the product; are held for consumption in the production of goods, performance of work and provision of services, as well as for enterprise management» [1].

For domestic enterprises that report under international standards, reserves are understood to be assets that are «held for sale in the ordinary course of business; are in the process of production for such sale or exist in the form of basic or auxiliary materials for consumption in the production process or when providing services» [2].

An interesting fact is that the «Accounting Act» of the Republic of Poland places emphasis on the duration of use of such assets when defining the concept of «reserve» Reserves are «tangible current assets intended for use or sale within 12 months from the balance sheet date or a period longer than 12 months if it is the duration of the normal operating cycle accepted for a particular activity» [3]. Reserves include materials purchased for own use, finished products (goods and services) made or processed by a department, suitable for sale or in the process of production, semi-finished products and goods purchased for resale in an unprocessed state (according to Article 3 of the Act [3]).

As for the peculiarities of reserve valuation, according to national regulations, the initial recognition of reserves is carried out at the original cost. This cost is formed from: actual costs paid when purchased under a contract with indirect taxes (if they are not reimbursed to the enterprise), customs duties, transportation and acquisition costs, and other costs directly related to the purchase of reserves and bringing them to a state where they are suitable for use in planned purposes [1].

International standards state that the cost of reserves «shall include all costs of purchase, costs of conversion and other costs incurred in bringing the reserves to their present location and condition» [2].

In Polish companies, reserves are valued at purchase price or registration price. The purchase price includes the supplier-calculated purchase price of materials and goods, including VAT and excise taxes that are not deductible, plus costs incurred in connection with their procurement and adaptation for use (Article 28(2) of the Accounting Act [3]). If a company values materials or goods at the purchase price (including acquisition costs), they can be included on account 31 «Materials» or 33 «Goods». The purchase price is recorded in these accounts, and the costs of their acquisition are included on account 64-0 «Accrued Expenses». It is allowed that the purchase price can be used to value materials and goods if it does not distort the value of reserves and financial results.

According to the norms of Article 34 of the Act [3], materials and goods can also be valued at a registered price, which may differ from the actual or purchase price. Materials at this price are recorded in accounts 31 and 33, and the deviations between this price and the purchase or acquisition price are recorded in a separate account 34 «Deviation from Accounting Prices for Materials and Goods».

The evaluation of finished products and semi-finished products produced by own resources in Ukraine is carried out in accordance with the provisions of P(S)A 16 «Costs», as well as finished products produced or processed by a business entity in the Republic of Poland. Polish business entities account for finished products during the reporting period on account 60 «Finished Products and Semi-Finished Products at Production Cost or at a Fixed Accounting Price» (Part 2 of Article 34 of the Act [3]). The difference between the fixed accounting price and the production cost of the product is accounted for on account 62 «Deviation from Accounting Prices for Products». It is important that a business entity can apply certain simplifications provided for in Article 17 of the Law [3] and deduct the expenses for the manufactured finished product on the day of its reserving. However, according to Article 28 of the Law [3], the finished product is valued at the actual cost of production, not exceeding the net selling price.

In Polish companies, semi-finished products are items that are produced by an assembly line, have undergone a technologically closed stage of production, and are used for further production, but can also be sold. Semi-finished products can be valued during storage and reception from their own production to the warehouse based on the same principles as finished products, i.e., based on the actual cost of production or in accordance with Article 34 of the Accounting Act – based on accepted accounting prices taking into account the difference between these prices and actual production costs (i.e., fixed accounting prices).

P(S)A 9 defines work in progress as «unfinished processing and assembly of parts, assemblies, products, and unfinished technological processes. Work in progress in enterprises that perform work and provide services consists of the costs of performing unfinished work (services) for which the enterprise has not yet recognized revenue» [1]. However, Polish legislation again takes into account time constraints. Therefore, unfinished production means technologically unfinished products or unfinished services provided for contracts with a term of up to 6 months [4]. Work in progress is valued on the balance sheet date based on the cost of production, lower than the net selling price on that day (Article 28 of the Accounting Act). It is worth noting that the valuation of services provided for contracts lasting more than 6 months is carried out in accordance with the principles provided for in Article 34 of the Accounting Act and in Publicly Available Accounting Standards No. 3 «Services in Unfinished Construction». In domestic legislation, the accounting for the formation of the cost of construction work and the recognition of revenues from their execution are determined by the norms of Accounting Regulation (Standard) 18 «Construction Contracts».

Summarizing the provisions of the current legislative acts of Ukraine and the Republic of Poland, we believe that the main prerequisites for a full organization of reserve accounting should be:

- Proper grouping of reserve according to recommended classification groups in current legislation for accurate future reporting;
- The presence of approved reserve accounting instructions that take into account the industry's peculiarities;
- Rational organization of reserve accounting in the warehouse economy (especially in terms of assessing unused reserve);
- Compliance with agreed norms for reserve expenditure, etc.

Based on these prerequisites, the following tasks of production Reserve accounting should be performed:

- Complete documentation of all operations related to reserve movement;
- Evaluation of Reserve at each stage of its movement in the enterprise;
- Accumulation and reflection of information regarding expenses related to the purchase of Reserve;
- Continuous monitoring of reserve inflows, outflows, and availability;
- Timely identification of reserve that has not been used for over a year and cannot be sold due to a lack of demand, and making decisions regarding how to address this issue (since none of the provisions considered provide a clear answer regarding the procedure for accounting for such reserve).

When carrying out the above tasks and choosing between national accounting standards or IFRS, it is important to remember that the national provisions of Ukraine and the Republic of Poland contain requirements for more detailed reflection of reserve than the international standards.

#### **List of references:**

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