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**ACCOUNTING AND ANALYTICAL ASPECTS OF REFLECTING
EXPENDITURES IN PRACTICE OF COMPANIES OF UKRAINE AND
JORDAN: COMPARISON, PROBLEMS AND IMPROVEMENT
BACKGROUND**

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The research paper urges the problems and prerequisites for improving the reflection of expenditures in the practice of companies in Ukraine, taking into account the need to unify accounting and analytical practice and to actively use international standards in the economic conditions of modern companies. The subject of the research of this paper is the reflection of expenditures in the systems of accounting and analysis of companies. The research paper aims at characterizing the problems and determining the preconditions for improving reflection of expenditures in the practice of companies of Ukraine on the basis of comparison of domestic experience (on the example of Ukraine International Airlines) with the experience of Jordanian companies (on the example of Royal Jordanian Airlines). Methodology of the study is based on systemic and comparative analysis. The Ukrainian and Jordanian experience of reflection of the expenditures in the practice of companies has been compared, on which basis it is noted that the wide spread of the international financial reporting standards in the practice of Jordanian companies contributes, on the one hand, to better provision of the heads of the companies and third parties with the information about company's expenditures, and on the other hand, is more convenient in terms of providing accounting and analytical process.

Keywords: analysis, accounting, expenditures, company, international standards, financial performance, Ukraine, Jordan.

Problem statement. Clear requirements and certain principles are laid down in the international financial reporting standards that are important for the formation of an effective accounting and analytical system in the companies' activities, in particular, in relation to accounting and analysis of operating expenses [1, p. 117-118; 2; 3]. The application of international standards, with their introduction in Ukraine being activated and supported at the state level [4], but has not yet been sufficiently spread, requires particular practical solutions for improving the accounting and analytical practices of domestic enterprises that will allow for high-quality data processing for the purpose of financial reporting analysis [5]. These circumstances, along with the need to identify key areas for improving the process of reflecting costs in the practice of enterprises of Ukraine on the basis of world experience, identified the topicality of the subject of this research paper, outlined its purpose and scientific tasks that will be addressed in the process of achieving this goal.

Analysis of recent research. The range of problems of accounting and analysis of companies' financial performance is the subject of study of a wide range of foreign researchers, such as K. Ward, S. Kaplan, D. Norton and others. At the same time, the mentioned range of problems is also very actively covered in the writings of Ukrainian authors, in particular, N. Ye. Bilynska, F. F. Butynets, M. A. Vakhrushyna, N. V. Valiebnikova, S. F. Holov, Ye. V. Kaliuga, V. M. Kostiuhenko, H. H. Kireitsev, I. I. Pylypenko, V. M. Parkhomenko, A. A. Pylypenko, O. Yu. Redco, P. L. Suk, V. A. Tieriekhova, O. H. Chepets, A. N. Shchemeleva, N. Z. Yatsyshyn. Works that deal with harmonization of the methodology and practice of accounting and analytical activities in Ukraine with international standards are of

particular importance for qualitative examining of issues raised in this research paper [3; 5; 6; 7].

The objective of this research paper is to characterize the problems and determine the preconditions for improving the reflection of expenditures in the practice of companies in Ukraine on the basis of comparing domestic experience with the experience of the companies of Jordan. The achievement of this objective is related to fulfilling the comparative analysis tasks of practices of accounting and analysis of expenditures in the practice of companies of Ukraine and Jordan, as well as determining the directions of development of the accounting and analytical system of Ukrainian companies on the basis of foreign experience.

The achievement of this objective is related to fulfilling the following tasks:

- Analysis of the advantages of using international standards in the practice of reflecting the expenditures of companies in other countries (Jordan);

- Determination of prerequisites for the use of international standards in the practice of domestic companies, which should help increase the efficiency of the implementation of procedures for reflecting the expenditures of companies.

Research findings. Expenditures are an important category that characterizes the financial performance of a company's activity, they are expressed in the consumption of cash assets, external services, labour, and also associated with the conduct of business at a certain time in order to achieve economic benefits. The following attributes of expenditures are determined: their value is reliably determined during the reporting period and their incurring is associated with a probable decrease in economic benefits [9; 10]. In this context, the justification

of cost management decisions is closely linked to accounting and analysis [8]. The importance of qualitative accounting and analysis of expenditures for making effective decisions by the management of companies in Ukraine, especially in the current conditions of dynamic changes in the internal and external environment of companies, under the influence of the need to ensure the convenience of perception of accounting and analytical information by a wide range of interested persons (owners, investors, etc., including foreign ones, government control authorities, etc.), determines the need to find ways to ensure the efficiency of accounting and analysis of expenditures, with one of the most important and most effective, as the international practice shows, being the use of international standards in national accounting and analytical practice.

The evolution of accounting and analysis in order to increase the functional content of its tools in accordance with the needs of management is characterized by the formation of ways to meet the needs of reflecting and interpretation of the information used in management on the volume and dynamics of expenditures in order to [11; 12]: plan and control the company's activities; optimize resource consumption and asset conservation.

It is important to use the experience of specific countries to determine the prerequisites for improving the efficiency of accounting and analytical activities in the area of receipts and expenditures management of Ukrainian companies. One of the countries is Jordan, where international financial reporting standards are identified at the state level to be the main and official standards. IFRS are widely used in the practice of Jordanian companies [13-15].

Jordan, according to most criteria, is a free economic zone (it has special zones with simplified tax and business regimes on its

territory); in this regard accounting and analytical activity of companies in this country should be convenient and as much unified as possible with the activities of foreign companies and practice of investors and owners who have chosen Jordan as the country of formal business basing. That is why the Jordanian government's selection of IFRS as a basis for accounting and analytical practice is a well-founded step. As the Jordanian Companies Law requires the companies of all ownership forms operating in Jordan to comply with the internationally-recognized accounting principles and standards, regardless of whether their securities are quoted or not quoted in the securities market (as opposed to the EU) [13; 14].

In accordance with Jordan's Companies Law No. 22 of 1997, public joint-stock companies, general partnerships, limited liability partnerships, limited liability companies, private joint-stock companies and foreign companies operating in Jordan are required to prepare annual audited financial statements in accordance with IFRS. The said Law and recommendations on information disclosure, conducting audits in accordance with international accounting standards are the basis for the activities of all companies operating in Jordan without exception; while the recommendations state that in the event of a conflict between the requirements of international standards and the local law, the latter shall prevail.

Analyzing the effectiveness of the step towards the implementation of IFRS in Jordan in the context of the country's development challenges (large numbers of refugees from neighboring countries, limited natural resources and almost 100% dependence on energy imports), it can be stated that this step is an attempt to support the country's benefits in terms of transparency and convenience for perception of the information reflected in the accounting and analytical documentation by the representatives of

foreign businesses, with the aim of stimulating the inflow of foreign investment into the country. The aforementioned aspect is relevant for Ukraine too, which currently also has certain development problems, for which openness of the economy for foreign investors, convenience of doing business, ease of obtaining information on the activities of companies that can be potential investment objects are important factors of competitiveness in the international business environment.

Comparing the progress made in the implementation of Jordan's international accounting and reporting standards with domestic experience, it should be noted that, despite the announced introduction of IFRS in domestic practice in 1998, almost simultaneously with Jordan, at present, international standards have hardly become widely used in Ukrainian accounting and analytical practice, which is connected with a number of problems, first of all, with the problems of inconsistency of regulatory framework and the lack of interest of government officials in increasing the spread of new reporting standards. So, in Jordan, the implementation and operation of IFRS is governed by a single law and regulations subordinate to it. In Ukraine, in particular, Art. 12-1 of the "Law on Accounting" states: '... for the formation of financial statements, it is necessary to apply international standards if they do not contradict this Law and are posted on the website of the Ministry of Finance of Ukraine.'

It is suggested to implement the practical context of comparing the reflection of expenditures in the accounting and analytical practice of the companies of Ukraine and Jordan through comparing the expenditure accounting system of two companies from these countries working in the same field – airlines: Ukraine International Airlines, PJSC (hereinafter referred to as "UIA") and Royal Jordanian Airlines (hereinafter referred to as "RJ").

The annual financial statements of UIA are formed in accordance with the Order of the Ministry of Finance No. 73 dated 07.02.2013, and provides for singling out of the following items of expenditures in the section Financial Performance of the Income Statement (Statement of Comprehensive Income): the Cost of Sales (of goods, works, services); Administrative Expenses; Marketing Costs; Other Operating Expenses that are also related to operating ones; Costs of Changes in the Value of Assets that are evaluated at their fair value. These items of expenditures, compared with the company's income, show the financial performance of UIA from operating activities (profit or loss), which are further compared with financial and investment income, and in combination with grouped items of expenditures (Financial Expenditures, Losses from Equity Participation, Other Expenses), form the financial performance before and after taxation. This example shows that expenditures are accounted using a system of dividing types of activities into operational, financial and investment, as provided for by the traditional accounting practice of domestic enterprises. At the same time, in Section 3 of the statement Elements of Operating Expenses, operating expenses, being the most important type of expenses for non-financial companies (to which UIA belongs), are accounted with their division into: Material Costs, Labour Costs, Social Security Contributions, Depreciation, Other Operating Expenses.

The Cash Flow Statement (by direct and indirect method) involves recording spending of resources for [16].:

- operating activity, to pay for: goods (works, services); labour; social security contributions; taxes and fees liabilities; income tax liabilities; value added tax liabilities; other taxes and fees liabilities; advance payments; refund of advance payments; target contributions; liabilities under insurance contracts; financial institutions to provide loans; other spending. At the

same time, volumes of expenditures are recorded in the statements for only half of these types of resource spending;

- investment activity: for the purchase of financial investments (only certain amounts are fixed there), non-current assets; payments under derivatives; for the provision of loans; acquisition of a subsidiary and other business unit; other payments.

- financial activities, spending on: redemption of own shares; repayment of loans; payment of dividends; payment of interest; payment of financial lease debt; acquisition of a stake in a subsidiary; payments of non-controlling interests in subsidiaries; other payments. Certain amounts of expenditures are recorded only for repayment of loans and other financial expenditures.

Jordanian companies should provide explanations of the decisions that affect the expenditures of these companies, using the data of their statements, if they have a significant impact on the Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements. The disclosure principle, as provided for in IFRS 8, which governs Jordanian companies, implies that the company should disclose ‘...information that enables users of financial statements to assess the nature and financial implications of economic activities, ... and the economic conditions created by this activity’, therefore - for the purpose of carrying out an analysis of financial performance of the company’s activities [17]. Under this principle, an economic entity shall disclose information about the financial performance of each segment, including expenditures included in losses for the segment, segment assets and liabilities of the individual segments.

In this context, more convenient accounting system of Jordanian companies is important in relation to the needs of the companies in a particular area of activity, which reduces the overload of reporting with

unnecessary structured material. Thus, the consolidated statement of RJ's financial standing provides for singling out and accounting of such basic items of expenditures as Cost of Revenue, which can be interpreted as similar to the Ukrainian Cost of Sales; administrative costs, sales and marketing expenses and other expenditures are also singled out. In this sense, reporting is close to Ukrainian practice, as well as singling out of financial costs. However, the items that characterize the reduction of the airline's economic benefits that are not inherent in Ukrainian accounting are also singled out: loss from property and equipment held for sale; loss from the sale of property and equipment; inefficient share of fuel options contracts; ineffective share of interest rate swaps; loss from exchange rate difference. In this group of expenditures, the types of expenditures typical of the business of the company under analysis are shown, which are important for drawing conclusions about the performance and efficiency of its activity.

The RJ's Consolidated Statement of Total Gain for the closed year and the Cash Flow Statement for the closed year provide for singling out elements of operating, financial and investment expenses characteristic of accounting for Elements of Operating Expenses and the Cash Flow Statement of domestic practices, but the list of items of expenditures differs significantly:

- operating activities: depreciation of fixed assets; reserve for doubtful debts; loss from the sale of property and equipment; loss from property and equipment held for sale; reserve for reimbursement of the final service; depreciation of deferred income; ineffective share of option fuel contracts; ineffective share of the interest rate swap contracts; change in working capital; spare parts and consumables; accrued expenses; expenses paid for a collective labour agreement; compensation paid for the termination of service; income tax paid;

- investment activity: purchase of fixed assets; (purchase) sale of financial assets at fair value; projects under construction; change of limited funds under lease agreements; advance payments for purchase and modification of aircrafts; limited bank accounts;

- financial activities: repayment of term loans; financial lease liabilities; paid interest.

It is important to disclose the cost of sales in the items of expenditures that characterize the particular features of the airline's activity and are not uniform for all kinds of activities, as it was observed in the Ukrainian accounting and analytical practice. Thus, the following items are singled out in cost price: the cost of flights; the cost of fuel for aircrafts; expenses for other flying operations; total cost of flying operations; repair and maintenance; the cost of renting aircrafts; depreciation of aircrafts and engines and overhaul maintenance; stations and ground handling; ground unit; passenger services. In Ukrainian practice, such detailing is not available for a public familiarization, if any - it is not an element of financial accounting according to international standards of transparency, and used for the needs of management accounts only. Similarly, in the Royal Jordanian's accounting and analytical practice marketing, administrative and financial costs are detailed with adaptation to accounting needs and with the opportunity of public familiarization. There is also a section of adjustment of financial and tax accounting indicators, which is an effective tool for correcting accounting mistakes, including those related to the imperfection of legislation and standards.

Consequently, the differences in the accounting and analytical practices of the analyzed companies (Ukrainian and Jordanian airlines) consist primarily in the form and description, the degree of detailing and adaptation of the accounting records to the needs and capabilities of companies in a specific area of activity, in a degree of the company's

freedom in choosing the most rational and convenient way of accounting and recording expenditures by certain types of activities, elements, items. To a much lesser extent, this concerns the content of the basic provisions of the Jordanian and Ukrainian accounting and analytical methodologies. In this context, international standards not only represent the accumulated experience of different countries, including Jordan, but also affect the development of the Ukrainian accounting system, complementing it with progressive foreign experience, which necessitates the harmonization of the Ukrainian national regulatory framework.

In the process of spreading the application of IFRS, additional opportunities will be created to improve the efficiency of doing business in Ukraine, which is the result of realization of specific preconditions that, to some extent, determine at this stage the effectiveness of the organization of accounting and analysis of expenditures based on international standards (Figure 1, compiled by the author).

Thus, for Ukraine, the experience of applying the international financial reporting standards in Jordan, which is an important element in ensuring the completeness, objectivity and relevance of information for the preparation of analytical reports on the companies' performance, is particularly valuable because of the need to ensure and enhance the openness of the economy for foreign investors in Ukraine. And information on expenditures according to the companies' financial statements, adapted to the specifics of the activity of these companies, is, in this sense one of the key elements by which potential investors have the opportunity to evaluate domestic companies for their investment potential and real value.

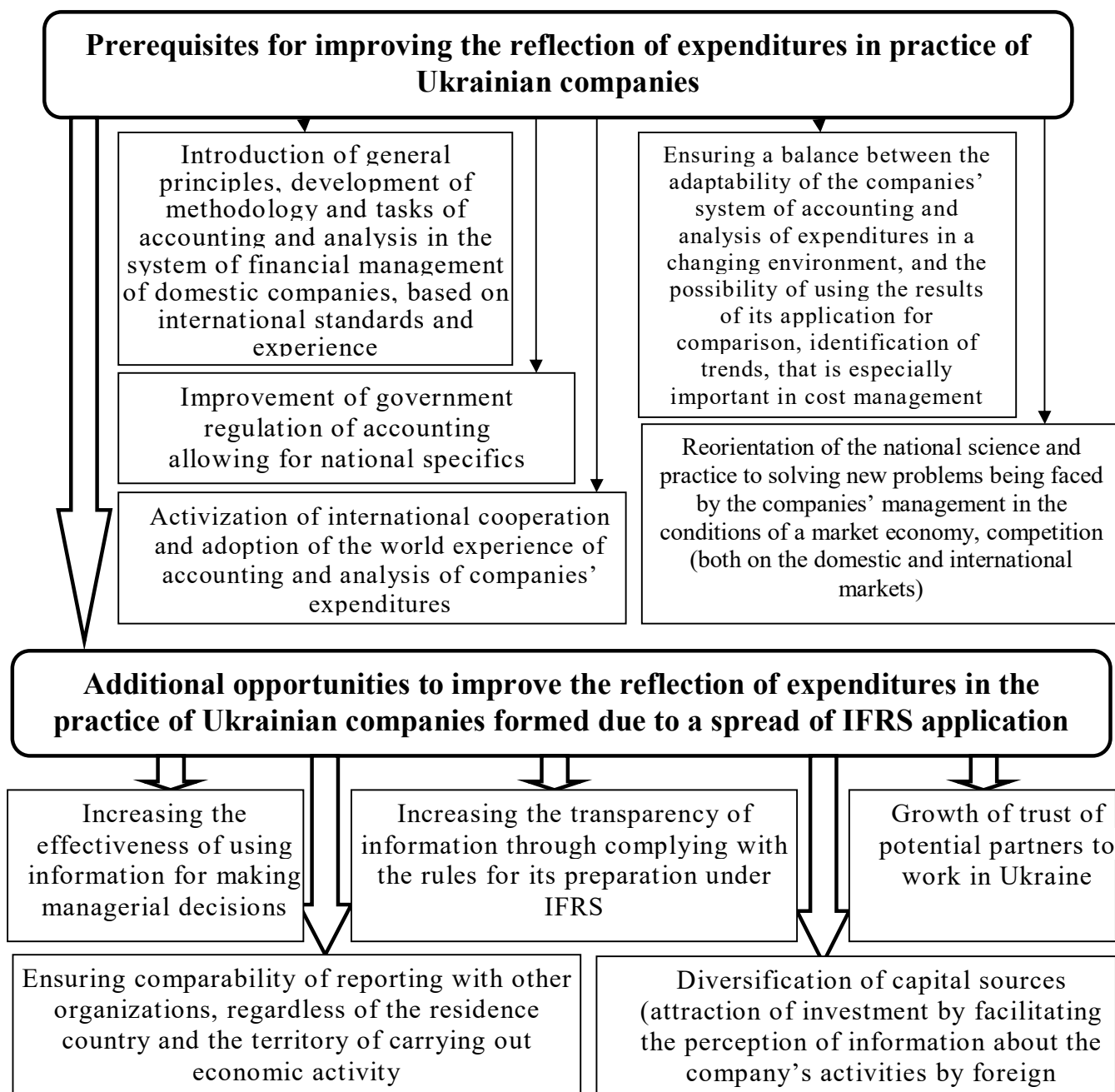


Figure 1. The prerequisites for ensuring the effectiveness of accounting and analysis of expenditures based on international standards

Conclusions and perspectives of further research. A comparative analysis of the systems of accounting and analysis of companies' expenditures in Ukraine and the country which actively uses international financial reporting standards in corporate practice – Jordan – is carried out in the research paper. The accounting and

analytical practice concerning accounting of expenditures of UIA (Ukraine) and Royal Jordanian (Jordan) airlines was compared. The differences of the accounting and analytical practice of the analyzed companies are determined, which primarily consist in the form and presentation, the degree of detailing and adaptation of accounting documentation to the needs and capacities of companies in a particular sphere of activity, in the degree of the company's freedom to choose the most rational and convenient way of keeping records and fixing expenditures according to certain types of activities, elements, items. On this basis, the feasibility of using the opportunities of accounting and analytical systems based on international accounting and reporting standards has been determined, which is confirmed by the successful experience of Jordanian companies actively using international standards implemented and regulated in this country at the state level.

At the same time, the introduction of international standards and progressive foreign experience in the organization of companies' accounting and analytical activities will create a number of prerequisites, the implementation of which, as determined in this research paper, will create additional opportunities for improving the reflection of expenditures in the practice of Ukrainian companies, in particular, ensuring information transparency, promptness of obtaining information understandable to users, convenience of perception of information by foreign investors, created as a result of the spread of IFRS.

Prospects for further research in this area are the development of recommendations for improving the application of certain international standards relating to accounting and analysis of financial performance in domestic accounting and analytical practice.

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