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Abstract — This paper explores the impact of provisions of future costs and payments on the assessment of the financial position and financial results of performance in the case of oil and gas companies. Those provision, which charges are provided by the accounting systems of standardization (both Ukrainian Accounting standards and IFRS), are related to the obligations of the enterprise, and therefore directly affect the evaluation results of financial condition of the enterprise. On the other hand, the creation of provisions, in most cases, leads to increased operating costs, which, in turn, worsens the company's financial results. In the period of use of provisions such impact on the results does no longer exist. Therefore, it is concluded that managers should approach very carefully to the issue of provision for enterprise. For this purpose, the preconditions, need for formation and consequences of creation of provision for the enterprise have been analyzed. The study results of the peculiarities of information disclosure about the available provisions in the financial statements of the Ukrainian oil and gas enterprises are presented. It is indicated on the characteristic differences between provisions and other types of obligations, namely, actual obligations to counterparties, as well as conditional obligations. It is substantiated that, unlike provisions, conditional obligations do not have a visible effect on the financial position and financial performance of enterprises. According to the results of the study, the criteria were formulated, maintenance of which allowed to establish the necessity of charging provisions in the reporting period.

Keywords — provision, financial position, obligations, financial statements

I. INTRODUCTION

In the dynamic changing conditions of functioning of the enterprise the efficiency of business activity to a great extent depends on the efficiency of decisions which are taken by management personnel of the enterprise. Namely the management is responsible for the consequences of its decisions.

Today, virtually no enterprise is able to exist solely at its own expense. The consequence of the availability of borrowed funds is the occurrence of enterprises’ obligations to its counterparties. How effectively the management staff will manage the borrowed capital depends on the effectiveness of the entire activity of the enterprise. The amount of obligations affects the assessment of the liquidity and solvency of the enterprise, its financial stability and autonomy, the turnover of current assets and a number of other indicators of financial analysis. Without proper control over payment discipline and adherence to payment terms, it is impossible to form a positive reputation for the company. One of the instruments of debt management is a properly formed reserve system.

With the development of new economic theories of management, the strengthening of integration and globalization processes in the field of accounting, the provision of future expenses and payments has begun to occupy an important place in the system of reserves of the enterprise. Therefore, provisions and their proper assessment today are important elements on which the adequacy and effectiveness of the proper management of the enterprise system depends.

Information support for analytical findings of management personnel and other stakeholders on the economic achievements of the enterprise, prospects for further development of the company, is financial reporting, the reliability, completeness and accuracy of
which depends on the effectiveness of management decisions. It reflects the efficiency of the enterprise's use of adequate mechanisms for controlling or reducing (leveling) the impact of commercial risks and negative impacts. Improving accounting and information support for the needs of the management system based on financial reporting data is one of the important areas of modern scientific research.

II. LITERATURE REVIEW

Despite the fact that provisions are becoming increasingly popular, there is not enough in-depth research on their economic content, purpose and effectiveness of their application for management purposes today. Existing publications are devoted mainly to individual practical aspects of using provisions.

I.O. Padiy [1] examining the economic content and functional objectives of reserves and provisions does not make a difference between them, which we do not completely agree with. In our opinion, reserves are a much broader economic category because it includes many other varieties besides provisions, such as insurance reserves, loan loss reserves, doubtful debt reserves and so on. At the same time, it is interesting to see the author's vision on analyzing the economic meaning of the "reserve" concept from economic, accounting and political perspectives.

S.I. Golovatko and A.I. Kurak [2] consider the provision to be a "mean of contingent risk insurance of enterprise activity", which in Ukraine are operated by management personnel based on personal experience and intuition. There is no necessary accounting and analytical support. According to the authors, only 2% of cases manage to identify risks using credentials. In researches devoted to the analysis of the financial state [3], [4], [5], the provision practically is not mentioned. Traditionally, this is quite a thorough study of the tasks of such an analysis, existing approaches and directions, the recommended methods of analysis. N.G. Slobodian [5] substantiates the connection between financial stability and solvency. In contrast to the named scientists, T.G. Kytaychuk [6], mentions the provision when analyzing the dynamics of changes in the structure of the balance. But, at the same time, she supported the proposals of Z. Zadorozhnyi and J. Krupka [7] that provisions have their place in the own capital, and not in obligations, which in our opinion is completely inappropriate, because they do not have relation to capital by their economic nature. O.O. Parkhomchuk [8] while considering provisions as a consequence of obligations rather than its type, illustrates it like a separate equitable variety of funding sources (along with equity and obligations), which in our view is also controversial.

Most attention is paid by scientists to accounting aspects. So, Yu.I Predko. [9] considers the accounting and control of the provisions filling as an instrument for reducing the risk of enterprises activity in the conditions of the crisis. In particular, the work details the terms of accrual of provisions in accounting, their classification and reflection in accounting, etc. In our opinion, the author's suggestion to divide provisions into reserves and regulators (valuation reserves), deserves special attention, despite the fact that, in practice, all provisions are formed in the estimated value (since the amount of redemption is often a prognostic value). The author's analysis of the impact of provisions on reducing the riskiness of the enterprise is quite convincing. V.V. Hodzitska [10] considered in detail the features of recognition and presentation of provisions, contingent obligations and contingent assets in accounting, in accordance with international financial reporting standards. M.O. Kozlova [11, pp. 7-8] has also focused on the accounting reserves, under which according to her research, are "entities that are introduced to the accounting system as means of optimizing it through ensuring that income and expenses are consistent and have an impact on the financial result. The expediency of allocating accounting reserves is conditional on clearly showing the reserves that are formed in the accounting system as a means of influencing the financial result and ensuring the consistency of income and expenses".

While paying tribute to the achievements of all scholars, it should be noted that there is still lack of sufficient analysis of the need of forming the provision of the next costs and payments and their impact as a result of management on the evaluation of the enterprise. Therefore, the purpose of this study is to study the economic content of future expenses and payments to improve the information support of the management decision-making process and to identify their impact on the financial position and financial performance of the enterprise.

III. STUDY METHOD AND RESULTS

A. Accounting and information support of the process of formation of future expenses and payments, their place among similar economic categories

The provisions are presented among other liabilities in the balance sheet (statement of financial position) of many enterprises. Creating provisions is provided both with the Ukrainian accounting standardization system (Ukrainian Accounting standards 11 ‘Obligations’) and similar international one (International Accounting Standards 37 Provisions, Contingent Liabilities and Contingent Assets). This indicates that the obligation to use them is both for the enterprises that maintain their accounting according to Ukrainian Accounting standards and for those who use IFRS. In order to identify similarities and differences, we have compared the requirements of both accounting systems, the results of which are shown in Table I.

As it can be seen from the table below, the requirements of both accounting systems are close enough. Differences are observed rather in approaches, than in principle moments. First of all, it should be noted that after the most recent changes made to IFRS, the classification of obligations doesn’t include anymore such a separate type as provisions. In our opinion, such an exemption is unjustified because the provision is sufficiently different from future income or contingent obligations. Accounting standards, and not limited according to IFRS. According to Ukrainian Accounting standards there is a clear, though inexhaustible list of permitted provisions. According to IFRS, the choice of the type of provisions is completely given to the decision
of the management of the enterprise. Some explanations are only for the provisions of burdensome contracts and restructurings. When assessing the amount of provision Ukrainian Accounting standards are limited only to the accounting estimates of the required resources, while, according to the IFRS, the type of appropriate assessment is again chosen by the enterprise. IFRS provides recommendations for the calculation of the valuation either by the valuation method - "expected value" or rating by the best result. Therefore, a more substantive and detailed approach to the accrual and use of provisions in IAS 37 should be concluded.

### TABLE I. COMPARATIVE ANALYSIS OF REQUIREMENTS OF NATIONAL AND INTERNATIONAL ACCOUNTING STANDARDS FOR THE ESTABLISHMENT AND USE OF PROVISIONS FOR FUTURE EXPENSES AND PAYMENTS

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Provision – an obligation with uncertain amount or time of settlement on the balance sheet</td>
<td>Provision - a liability with an indefinite term or amount of resources is required to settle the obligations</td>
</tr>
<tr>
<td>Using obligation</td>
<td>All enterprises, except for budget and small business entities</td>
<td>All enterprises</td>
</tr>
</tbody>
</table>
| Terms, the fulfillment of which is the basis for accrual | 1. The assessment can be reliably measured  
2. There is a probable reduction of economic benefits in the future as a result of its repayment | 1. The existence of obligation (legal or constructive) as a result of a past event;  
2. It is probable that the outflow of resources embodying economic benefits will be required to fulfill obligations;  
3. It is possible to reliably estimate the amount of the obligation. |
| Assessment of provisions                       | Should be the best estimate of the expenses required to repay an existing obligation at the end of the reporting period |
| Selection of the current and long-term parts   | Provided | Provided |
| Target character of use                        | Used to reimburse only those expenses for which it was created | Should only be used for those expenditures for which this provision was created from the very beginning |
| Taking into account the time factor            | Provisions of long-term liabilities are recognized in the amount of their current value | In cases where the effect of money cost in time is substantial, the amount of provisions should be the current value of costs which are expected to be required to settle the obligations |
| The obligation to review the validity of estimates for each balance sheet date | Is reviewed at each balance sheet date and, if necessary, adjusted (increased or decreased) | Should be reviewed at the end of each reporting period and adjusted to reflect the current best rating |
| Influence on financial results of activity     | The amount of created provisions is recognized as expenses (excluding the amount of provisions included in the original cost of fixed assets) | Not specified |
| Types of provisions                            | - payment of holidays to employees;  
- additional pension provision;  
- performance of warranty obligations;  
- restructuring, execution of obligations upon termination of activity;  
- fulfillment of obligations on burdensome contracts, etc. | The list is not defined; the decision for which costs the provisions should be created is taken by the management |
| Provisions to cover future losses from business activities | Forbidden | The provisions should not be recognized for future operating losses. |

At its core, provision is characterized by considerable uncertainty. Many moments when deciding whether there are bases for accrual of provisions or not, are determined on the basis of using a professional judgment of the managerial staff of the enterprise, that is why, they are subjective. Such as, for example, determination of probability of future outflow of resources in order to fulfill the existing obligation, forecasting the course of events, assessing the results of events and their financial impact on the company. Standards operate only with concepts: more likely or unlikely. Thus, in IAS 37, provision should be accrued "... if, taking into account all available evidence, it is rather possible than impossible that an existing obligation is at the end of the reporting period" [7, p.15]. No more specific criteria are given, and, consequently, are left to the decision of the management of the enterprise. Perhaps this makes sense, since there can be a big variety of situations in practice. At the same time, in our opinion, this creates sufficient opportunities for "legal" distortion of reporting by the management. We find the solution in claiming the requirement of

mandatory formalization of criteria at the level of a specific enterprise in the relevant regulations on the use of provisions.

In order to avoid unreasonable identification of security with other similar categories, let us analyze their key differences. Some scientists, sometimes identify provision with company reserves such as reserve capital and reserve of doubtful debts. These are fundamentally different categories, both the mechanism of formation and use, and their purpose are different. Provisions relate to obligations, since they reflect the amount that companies are expected to pay in the near or distant future.

The enterprise's reserve capital is formed from undivided profit and sets the part of the equity (own funds) of the enterprise, and therefore cannot be an obligation as provision. The main purpose of reserve capital is additional guarantees for creditors in case of liquidation of the enterprise. The basis for the accrual and use of reserve capital are the requirements of the legislation, governing the establishment and liquidation of
the enterprise. The reserve of doubtful debts is intended to adjust the value of receivables (assets) to its net realizable value, and therefore it has no relation to future payouts and payments. The procedure for the application of this provision is determined by Ukrainian Accounting standards 10 “Accounts Receivables" or IFRS 9 "Financial Instruments”.

Contingent obligations are close by meaning to provisions. The difference between them is in the assessment of probability of an outflow of payments to repay such an obligation. If managerial staff estimates this probability as high, the provision is made, if it is estimated as low, such an obligation is recognized as contingent and in the financial statements it is reflected only in the applications to the financial statements. The obligation is also considered as contingent if the management fails to assess the amount of such an obligation with sufficient reliability (even at a high probability of payments occurrence). Depending on how remote in time the payout date is expected, provision can be divided into current and long-term. Any long-term obligation before the beginning of the year in which its repayment is expected, must be reclassified into current ones. Compliance with this requirement is extremely important for a proper assessment of the financial condition of the enterprise.

According to the definitions of accounting standards [12], [13], provision is current, if, according to expectations, there will be a payment period during the operating cycle or twelve months from the balance sheet date. All other provisions which are not relevant to the current definition are long-term. Each long-term provision, or its part before the beginning of the reporting period in which the maturity date is expected must be reclassified into current one or a current part of long-term provision should be allocated. Such reclassification is extremely important for the correct planning of the future activities of the enterprise.

B. Impact of provisions of future expenses and payments on the evaluation of the enterprise activity

Traditionally, the financial condition of the enterprise is analyzed in terms of its financial stability, liquidity and solvency, business activity, cash flows, etc. Almost all of these areas are important for a proper assessment of debt capital. There can be an exception when we consider analysis of business activity, where the amount of provisions is used at a minimum.

When analyzing financial sustainability, most indicators are calculated on the basis of the ratio of own and borrowed capital. If it is not shown among the existing obligations that will be paid in the future, the total amount of debt capital will be understated, and the results of the analysis of financial stability will be overestimated. One can mistakenly conclude that there is a better financial sustainability of an enterprise than it really is. When assessing liquidity and solvency, most indicators are calculated taking into account only the current part of the obligations of the enterprise. Not including current provisions will unjustifiably improve the calculated values of all indicators of liquidity and solvency. If an enterprise has an obligation that will be due in the future, it means that such debts should be taken into account when assessing the solvency of an enterprise. Long-term provisions do not have a significant impact on the results of the assessment of solvency and liquidity of the enterprise. This confirms the importance for the management goals of the right distinction between the long-term and the current part of provision.

For management, and especially investors and lenders of the enterprise, in addition to analyzing the financial condition with accounting balance data (statement of financial position) using the accrual method, analysis of cash flows is important. The forecasting of the required amount of cash to cover all costs to prevent financial discontinuities is among the tasks of this analysis. This forecast is also based on the balance sheet data on existing obligations, primarily current ones. The absence of created provisions among these obligations lowers the need for cash, which can lead to financial problems in the near future.

Thus, we see that for the reliability of the analysis results of the financial condition, the correct calculated value of the obligations of the enterprise, including the provisions of future expenses and payments is critically important. But provisions affect not only the financial condition. The formation of most provisions leads to increase in costs. The only exception is provision of expected costs associated with the decommissioning of fixed assets and the restoration of impaired land, which, when created, is included in the initial cost of such fixed assets, with following transfer to depreciation costs. All other provisions are included to the related expenses of the activity in the period of occurrence of the obligation. This approach allows more reliably estimate the financial result earned by the enterprise in the reporting period.

Let’s take a closer look at it on the example of holidays. Every worker is entitled to paid leave in accordance with the law. This right is earned by him at the enterprise during a certain period. In any case, the employee will receive a holiday pay: either by using his right to leave or as compensation for release. For the enterprise, the payment of such leave is an expense. The correct separation of these costs between reporting periods can be reached only through using the mechanism of provisions. These costs should reduce the financial result of the period, when the employee was providing the company with services for which he earned that right. Only in this way the correct ratio of income and expenses can be ensured. Vacation payments during the holiday period will be made at the expense of the previously created provision, and therefore will not re-influence the financial result. Unlike provisions, contingent obligations do not have any estimated impact neither on the financial position nor on the financial performance of the activity. This is due, above all, to the impossibility of their assessment or improbability of their payouts. If such obligations are disclosed by the enterprise in the notes to the financial statements, the interested users can only be acquainted with them and make their theoretical conclusions and forecasts. In the calculation of the same indicators both in financial status and financial results, these contingent obligations will not be taken into account. Based on the analysis of the financial statements
of the oil and gas enterprises, it was found that a significant part of these enterprises produces different types of provision of the following costs and payments (Table II). As we see, the most common is the provision of vacations, which is mandatory for all enterprises using provisions. As for other types of enterprises, they make decisions independently, taking into account the specifics of their activities. Thus, for example, PJSC "NJSC" Naftogaz of Ukraine", among others, forms a provision for the amount of net profit which belongs to the State Budget of Ukraine.

**TABLE II. TYPES OF PROVISIONS FORMED BY THE UKRAINIAN OIL AND GAS ENTERPRISES**

<table>
<thead>
<tr>
<th>Oil and gas enterprises of Ukraine</th>
<th>Provisions related to the liquidation of non-current assets</th>
<th>Provisions of programs for long-term employee benefit obligations</th>
<th>Provisions for lawsuits</th>
<th>Provisions for holiday pay</th>
<th>Provisions for payment of rewards based on the results of the year</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Ukrgazvydobuvannya</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>PJSC NJSC Naftogaz of Ukraine</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJSC Ukmafta</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSC Uk tran egas</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJSC Kherson Oil Refinery</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJSC On Supply and Gasification Donetskoblgaz</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Ltd. Kyyivobihazzbut</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJSC on Supply and Gasification Rivinegas</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Of course, other companies cannot have such payments. Provisions of programs for long-term employee benefits are used by those enterprises that, in the social package, carry out additional pension insurance for their employees, or have a duty to the Pension Fund of Ukraine to compensate for the payments of preferential pensions to those employees who worked in harmful working conditions. Oil and gas companies with the status of small business entities, for the most part, use their right not to create provisions and make simplified and reduced financial statements. The information on the absolute values of the amounts of provisions provided by oil and gas companies at the beginning and at the end of 2018 year and their relative values is given in Table III.

**TABLE III. ANALYSIS OF PROVISIONS OF OIL AND GAS ENTERPRISES OF UKRAINE IN 2018**

<table>
<thead>
<tr>
<th>Oil and gas enterprises of Ukraine</th>
<th>Long-term provisions, ths. UAH</th>
<th>Current provision, ths. UAH</th>
<th>The specific weight of long-term provisions in the total value of long-term obligations, in %</th>
<th>The specific weight of current provision in the total value of current obligations, in %</th>
<th>The specific weight of all provisions in the total value of the balance, in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Ukrgazvydobuvannya</td>
<td>135 283</td>
<td>31 622 849</td>
<td>0,95</td>
<td>16,37</td>
<td>4,97</td>
</tr>
<tr>
<td>PJSC NJSC Naftogaz of Ukraine</td>
<td>2 433 508</td>
<td>2 507 593</td>
<td>17,10</td>
<td>27,17</td>
<td>3,37</td>
</tr>
<tr>
<td>PJSC Ukmafta</td>
<td>1 814 520</td>
<td>14 823 793</td>
<td>100,00</td>
<td>50,22</td>
<td>51,88</td>
</tr>
<tr>
<td>JSC Uktranegas</td>
<td>1 492 259</td>
<td>1 053 120</td>
<td>2,69</td>
<td>7,49</td>
<td>0,74</td>
</tr>
<tr>
<td>PJSC Kherson Oil Refinery</td>
<td>168</td>
<td>0</td>
<td>0,14</td>
<td>0,00</td>
<td>0,02</td>
</tr>
<tr>
<td>PJSC On Supply and Gasification Donetskoblgaz</td>
<td>7 542</td>
<td>0</td>
<td>30,62</td>
<td>0,00</td>
<td>0,26</td>
</tr>
<tr>
<td>PJSC On Supply and Gasification Kyyivoblgaz</td>
<td>18 479</td>
<td>23 823</td>
<td>17,40</td>
<td>0,54</td>
<td>1,20</td>
</tr>
<tr>
<td>Ltd. Kyyivobihazzbut</td>
<td>231</td>
<td>734</td>
<td>100,00</td>
<td>0,02</td>
<td>0,04</td>
</tr>
<tr>
<td>PJSC on Supply and Gasification Rivinegas</td>
<td>10 632</td>
<td>4 350</td>
<td>10,93</td>
<td>1,54</td>
<td>3,41</td>
</tr>
</tbody>
</table>

**Provisions as of 1.01.18.**

<table>
<thead>
<tr>
<th>Oil and gas enterprises of Ukraine</th>
<th>Long-term provisions, ths. UAH</th>
<th>Current provision, ths. UAH</th>
<th>The specific weight of long-term provisions in the total value of long-term obligations, in %</th>
<th>The specific weight of current provision in the total value of current obligations, in %</th>
<th>The specific weight of all provisions in the total value of the balance, in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Ukrgazvydobuvannya</td>
<td>186 125</td>
<td>17 268 762</td>
<td>1,71</td>
<td>20,21</td>
<td>3,53</td>
</tr>
<tr>
<td>PJSC NJSC Naftogaz of Ukraine</td>
<td>3 255 149</td>
<td>2 431 197</td>
<td>24,46</td>
<td>14,62</td>
<td>4,04</td>
</tr>
<tr>
<td>PJSC Ukmafta</td>
<td>2 272 030</td>
<td>17 826 722</td>
<td>100,00</td>
<td>56,52</td>
<td>49,68</td>
</tr>
<tr>
<td>JSC Uktranegas</td>
<td>1 092 385</td>
<td>4 654 203</td>
<td>2,66</td>
<td>26,96</td>
<td>2,15</td>
</tr>
<tr>
<td>PJSC Kherson Oil Refinery</td>
<td>167</td>
<td>0</td>
<td>0,14</td>
<td>0,00</td>
<td>0,02</td>
</tr>
<tr>
<td>PJSC On Supply and Gasification Donetskoblgaz</td>
<td>9 254</td>
<td>0</td>
<td>54,00</td>
<td>0,00</td>
<td>0,09</td>
</tr>
<tr>
<td>PJSC On Supply and Gasification Kyyivoblgaz</td>
<td>19 451</td>
<td>28 838</td>
<td>16,59</td>
<td>0,53</td>
<td>1,54</td>
</tr>
<tr>
<td>Ltd. Kyyivobihazzbut</td>
<td>832</td>
<td>911</td>
<td>100,00</td>
<td>0,03</td>
<td>0,11</td>
</tr>
<tr>
<td>PJSC on Supply and Gasification Rivinegas</td>
<td>6 839</td>
<td>37 312</td>
<td>7,44</td>
<td>8,76</td>
<td>10,09</td>
</tr>
</tbody>
</table>

**Provisions as of 31.12.18.**

b. Source: compiled on the base of data of financial reporting of enterprises [14-21]
These tables data confirm that all of the analyzed oil and gas companies form different provisions. At the request of accounting standards, all of their provisions are distributed to current and long-term. If some enterprises (for example, PJSC Ukrafta and Kyivovibigazbud LLC) have no other long-term obligations besides provisions, then for others (PJSC Kherson Oil Refinery) their their number is less than 1% from all long-term obligations. On the other hand, current provisions for PJSC Ukrafta make up more than half of all current liabilities, and PJSC Kherson Oil Refinery and PJSC On Gas Supply and Gasification Donetskoblgaz do not reflect them at all. This confirms our preliminary conclusion that the choice of provision depends from the specifics of the operations and activities of the enterprise and significantly depends on the professional judgment of its management personnel. In general, we see that besides PJSC Ukrafta a specific weight of the provision in all the sources of enterprise resource formation takes a small share.

IV. CONCLUSION

Based on our research, we have identified the following key points. Formation of provisions of future expenses and payments is legally provided. But at the same time, a comparative analysis of the Ukrainian and international accounting requirements revealed the need to improve the existing Ukrainian legislative support. If in the International Standards System (IFRS) a separate standard is assigned to provisions, then in the Ukrainian one they are considered indirectly among all other obligations. In this regard, the international standard contains a more detailed and thorough way of accounting and using of the provisions, which should be taken as the basis for the refinement of Ukrainian Accounting standards. In Ukraine, there are no well-defined procedures for estimating the potential amounts for most of provisions, which creates difficulties for management personnel in forecasting their value and accrual. Until such methodologies are adopted at the state level, they should be formalized at the enterprise level by management personnel in order to avoid unnecessary subjectivity. The provision of future expenses and payments is a separate type of borrowed capital that requires operation by the management of the enterprise, as they affect the results of assessing both the financial condition and financial performance of the enterprise. Provisions should not be equated with an enterprise’s reserves, since not all reserves can be considered as provisions, but all provisions are reserves. Thus, when making a decision on the need to provide provisions for certain future payments, it should be carefully considered, taking into account all the consequences. In our opinion, the main criteria that should be taken into account are:

1. Whether an event occurred that resulted in the enterprise having an obligation to make a certain payment in the future;
2. Is there a high possibility of disbursement?
3. Is it possible to estimate the expected amount of payments with a sufficient degree of reliability?
4. Whether this value is significant for the enterprise;
5. Whether there is no obligation of a third non-related side to compensate the enterprise for expected payments in case of payout;

In case of meeting all of these criteria, the company needs to create appropriate provision. If there is at least one negative answer, we can conclude that there are no grounds for provisions.

REFERENCES


