

THE PRINCIPLES OF FORMATION AND THE SYSTEM OF PROPERTIES OF THE USEFULNESS OF FINANCIAL STATEMENTS

Statement of the problem. The experience of countries with market economy, the practice of its implementation in our country shows that the democratic principles of management of transformational processes of Ukraine's integration into the world economy requires fundamental changes in the methodology and practice of accounting and financial reporting as a major source of public information about the efficiency of management of financial capital. The financial reporting of enterprises is an important element of market infrastructure that connects into the whole different interests of subjects of capital market, which make investment or other decisions which are based on it.

It is necessary for successful operation of enterprises that the system of their management has to be adequate to the environment, and this is possible only when there is proper informational support. The financial reporting plays a crucial role in the management of business entities and is a major source of information about the financial condition of the company.

The analysis of recent research and publications. The study of the theoretical and methodological process of forming of financial reporting is reflected in the works of local scientists (M.T. Beluhas, F.F. Butynets, S.F. Holova, V.G. Horelkina, Y. I. Osadchiy, V.V. Sopka, V.K. Savchuk, V.M. Parkhomenko, P.Y. Homin, L.V. Czyzewski, etc.).

Problems of formation and interpretation of information of financial reporting in a market economy are also considered in the works of foreign scholars (L. Bernstein, Van Breda, G. Welsh, T. Carlin, V. V. Kovalev, D. Coldwell, M. Ling, V.F. Makarov, V. McKenzie, D. Middleton, B. Needles, J. Richard, Y. V. Sokolov, E.S. Hendrickson, A.D. Sheremet, etc.).

Scientific achievements of these scientists were the basis for further study of the problems of formation and interpretation of the information of financial reporting, and also for the development of recommendations for improving the principles of formation and the system of properties of utility of financial reporting. However, the development of theoretical and methodological principles and practical recommendations of the principles of formation and the system of properties of utility of financial reporting and their impact on the information needs of a wide range of people who have business relationships. These questions are not fully reflected in the scholars' works.

Formulation of the problem. The purpose of our research is to develop theoretical, methodological principles and practical recommendations concerning the principles of formation and the system of properties of utility of financial reporting and their impact on the information needs of a wide range of people who have business relationships. The main requirement that is presented to the financial reporting which determines the set of all key attributes lies in the fact that it has to be helpful to its users.

The main material of the study. The reality of modern accounting support of business entities requires timely and of high quality formation of various accounting and analytical information for the needs of the corresponding consumers compiled in compliance with the rules, principles and methods according to accounting in general. Therefore, information that is the basis of various forms and types of reporting makes it possible to make its generalized definition as an accounting followed by the classification of certain types of reporting according to users (tax, statistical, special) or other characteristics. Accounting and analytical information, which is formed in the accounting system on synthetic and analytical accounts, is subject to the principles, rules and procedures established for the respective types of reporting. The financial reporting is primarily formed with the principle of prevalence of economic content over the legal form, as it has to ensure the relevance of information about business opportunities to generate economic benefits in conditions of real market environment.

Purpose and procedure of preparation of financial statements are determined by national normative and legal acts developed in accordance with international financial reporting standards and the Framework for the preparation and presentation of financial statements. Composition and structure of the financial reporting are determined with regard to the interests of its major users under the influence of globalization of world economic processes. Financial reporting is designed for the needs of a wide range of external users and therefore requires new approaches to the principles of formation of individual reporting forms. In contrast to the methods and principles of accounting that were applied to implementation of IFRS, where the separate enterprise had been the basis, a modern approach to the financial reporting lies in the plane of the information field that is associated with capital investment of its owner(s) for economic benefits in the future. The structure of financial reporting varies depending on the needs of the dominant users and under the influence of social and economic environment of business operation. Generally accepted principles of financial reporting in accordance with international requirements, which are the basis of information about the efficiency of invested capital, the movement of some of its components in financial reporting, provide the dominance of economic content of information over the legal form of it.

The accounting policy for financial reporting as market instrument of management system is only a small part of the overall accounting policies of the enterprise and also is the link between accounting and financial reporting. Principles, methods and procedures of accounting policy of book keeping by its composition are different from the principles, methods and procedures of financial reporting, as they perform different functions in relation to the users of relevant information [1]. Regarding financial reporting, accounting policy is to

ensure the formation of information under the law of Ukraine and the National Standard of Accounting 1 "General Requirements for financial reporting", which was approved by the Ministry of Finance of Ukraine, Order № 73 of 7 February 2013, principles and adoption of one of alternative methods of asset valuation, liabilities, which are separate elements of reporting, content and the list of which are approved by the appropriate National Standard of Accounting.

The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" defines the concept of accounting as "the process of identifying, measuring, recording, accumulation, generalization, storage and transmission of information about the operation of a company to internal and external users for decision-making" [2]. That is, it is a set of sequential actions of fixing the business transactions that take place in the enterprise. A system of measures provides proper accounting at an enterprise, including its organization, creation of conditions for proper book keeping.

In this same normative document accounting policy is interpreted as "a set of principles, methods and procedures used for the preparation and presentation of financial reporting" [2]. Based on this categorical definition one could argue that it is associated with all accounting procedures as it involves "selection of accounting methods, which allow using different options for displaying the facts of economic life in the accounting (depending on your goals)" [3, p. 22]. Its proper formation and constant observance ensures the implementation of important requirement to accounting – profitability, i.e. obtained accounting information by its importance in decision-making should not exceed the cost of its receipt.

The National Standard of Accounting 1 "General requirements to financial reporting" determines the following principles of formation of financial reporting: the principle of common monetary measure, continuity of activity, historical (actual) cost, autonomy, frequency and principle of accrual and conformity of income and expenses, total coverage, sequence, discretion and prevalence of content over form. [4].

Let's consider the content of each principle based on its participation and the creation sequence of information for the purposes of financial reporting in the conditions of national standards of financial reporting.

The principle of common monetary measure assumes that measurement and generalization of all business operations of the enterprise in its financial reporting are performed in a common currency.

The principle of continuity means the valuation of assets and liabilities of the enterprise, based on the assumption that its activity will continue. This position excludes the intentions or needs of the enterprise to eliminate or significantly reduce the scope of its activities what requires monitoring of its assets and liabilities in accordance with the economic environment of business existence.

The principle of historical (actual) cost determines evaluation of assets as the most important, based on the cost of their production and acquisition. This principle by its economic content provides monitoring of controlled assets initially setting them on balance of the enterprise depending on channels of income.

The principle of discretion involves the application of assessment methods in the accounting that should prevent lowering of evaluation of liabilities and expenditures and overstating of evaluation of assets and income of the company.

The principle of accrual and conformity of income and expenses consists in their recognition to determine the financial results of the reporting period. The principle of conformity divides income and expenses by type of activity, but the classification of types of activity is determined only by the National Standard of Accounting 15 "Income": income (revenue) from sale of goods (work and services), other operating income, financial income and other income, excessive income.

In the National Standard of Accounting 16 "Expenses" classification groups are determined by the elements and objects of expenditure [5]. Definition of financial results of the reporting period in the income statement (the statement about the total income) (f. № 2) provides displaying of income and expenditure by type of activity and the classification of expenses by cost element. The structure of the components of financial results by activity provides information regarding the conformity of the claimed statutory activity to actual state: most of income has to be created by operating activity including the main activity that characterizes the rate of the gross profit (loss).

According to the principle of total coverage financial reporting must include all the information about the actual and potential consequences of transactions and events that may affect the decisions which are made on its basis.

The requirements of this principle is provided through the established function for the entire financial reporting as defined by the Law of Ukraine as well as some of its forms: Balance Sheet (Statement of financial state), Financial report (Statement of total income), Statement of cash flows (by the direct method), Statement of cash flows (by the indirect method), statement of shareholders' capital is set by the National Standard of Accounting 1 "General requirements to financial reporting", which include providing users with complete, accurate and objective information about the structural elements of the corresponding financial reporting forms for their decision-making. In addition, assets and liabilities are recognized in financial reporting on condition that they generate future economic benefits as a result of their maintenance and use.

The principle of sequence involves constant (year by year) use of the selected accounting policy by the enterprise. The change in accounting policy is possible only in cases provided by the national regulations (standards) of accounting and must be justified and disclosed in financial reporting. According to the Standard of Accounting 6 "Correction of errors and changes in financial statements," the change in accounting policy is permitted in case of changes in statutory requirements, changes in requirements of the body that approves the Standard of Accounting, if changes provide reliable display of events or transactions in the financial reporting.

This principle involves the application of the selected accounting policies for compiling interim and annual financial statements so that their rates are formed in compliance with established methods and procedures in the normal course of business. Principles of asset valuation, liabilities, revenues and expenses for interim reports should be the same as for annual financial statements. NAS allows a change in accounting policy on evaluation of elements of financial reporting, but during its change it is necessary to recalculate such evaluation of assets and liabilities for the previous interim periods of the reporting year taking into account new accounting policy. Expenses, which by their nature are not recognized as assets at the end of the year, are not recognized as assets in interim accounting.

Thus, the principle of consistency refers to the organizational one as it regulates compliance of established by the accounting policy requirements about quality indicators of financial statements.

The principle of autonomy, according to which every enterprise is regarded as a legal entity and is separated from its owners, and therefore personal assets and liabilities of owners, should not be displayed in the financial reporting of the enterprise.

The main purpose of the principle of autonomy is aimed at displaying in the financial reporting of property of the business entity without the inclusion of its property owners and investors who control economic activity, to create real value of the assets owned by the business entity, which may be used to pay its liabilities to the participants of business. Inherently the principle of autonomy has a clear legal guidance, providing a display of assets and liabilities of the enterprise arising from legal registration of their ownership, which is the basis of their reflection in the book keeping and accounting reporting.

The principle of frequency involves the division of activity of the enterprise for a specific period of time for the purpose of financial reporting, and therefore is also the organizational one, as it determines time of reporting. Law of Ukraine determines that reporting period for the financial statements is the calendar year.

The principle of prevalence of content over form in financial reporting should provide records of transactions in accordance with their content but not according to the legal form and therefore it is the major among other principles. Public financial reporting of corporate enterprises should reflect all controlled assets that bring economic benefits from their maintenance and use.

Legally business entity is the owner of the property, rights and responsibilities, and real estate is the foundation of it. This property has to belong to the enterprise according to the right of ownership. In the Economic Code of Ukraine enterprise is regarded as an independent entity of economic rights: "participants of economic relations who perform economic activity implementing economic competence (set of economic rights and obligations), with separate property and are responsible for their obligations within the property, except as provided by law, are recognized as economic entity" [6].

In accordance with International Accounting Standards (IAS) attributes of financial reports are features specific to the reports, due to which the information presented in financial reports will be useful to users.

Attributes of accounting information determine its usefulness for decision-making by different groups of users. On this basis, it is necessary to agree with economists concerning the fact that attributes are the standards of evaluation and "attributes" of accounting information that tend to increase its usefulness [1, 7, 8].

In the economic literature various authors describe different quality requirements of accounting information [1-7, 9-12].

In Ukraine attributes of financial reporting were formulated and legislated with the adoption of the National Standard of Accounting 1 "General requirements for financial reporting," which lists the requirements to the quality of information contained in financial reporting without their appropriate definition and interpretation. Attributes of accounting information are authenticity, relevance, clarity, comparability.

Requirements for the information to be intelligible can be formulated as clarity of information for the user who has a certain level of knowledge.

Understandable information is intended for its unambiguous interpretation by users, if they have sufficient knowledge and are interested in perception of this information. However, any significant information should not be excluded from the financial reporting on the basis of the assumption that it will be difficult for some users to understand.

This requirement is derived from the understanding that there cannot be regulations that contradict each other in the accounting system. However, according to experts [7, p. 39], there is no indisputable theory in the accounting.

This is due to different and mutually conflicting interests of those engaged in business processes and contradictions of the accounting system (the more accurately one indicator is measured, the less accurately another, that is associated with it, is calculated).

The requirement of an unambiguous interpretation is important as a practical guide for accountants because the whole system of normative documents with which he works includes many conflicting requirements. In such cases it is necessary to use rules developed by lawyers:

- if two documents contain provisions which are mutually exclusive, priorities are given to a document issued by a higher authority;
- if some documents belong to the same body, the preference is given to the one issued later;
- if there is a contradiction in one document, preference is given to the standard that contains a special instruction.

The application of these rules will make accounting system consistent that leads in its turn to an unambiguous interpretation of the information of financial reporting by its users.

The specificity of the made decision determines the characteristic of necessary information. Therefore, relevance (appropriateness) is focused on decision-making.

Relevance (appropriateness) of accounting information is one of the attributes of reporting under which a desirable characteristic of information, which may affect the decisions of users, i.e., to determine the managerial and investment decisions, is meant. The concept of relevance allows distinguishing between the concepts of "information" and "data".

Data are the description of objects and events. If the data are already known or are not relevant to the person to whom they are reported, they are not information. Information can be defined as data that have the effect of novelty for its recipient and reduce the uncertainty of his ideas. Transmitted message must be more important than the cost of its receipt and must cause the response of the person who makes decisions. Thus, the primary reason for selecting which data are included in the statements is confidence that they at least are the information, or the data cannot be considered relevant.

The concept of relevant information with a focus on the decision implies that information must be related or useful application to actions for which it was intended to provide the desired result. One should consider the ability of information to lead to different choices of decision-making.

The disadvantage of the existing system of attributes established by the legislation of Ukraine is the absence of such important components as predictability and property to feedback.

Another attribute of information is its relevance. Information is relevant if it relates to business, influence users' economic decisions and helps them to evaluate past, present and future events, confirm or correct previous assessments [7, p. 56].

It should be noted that the requirement of relevance of information refers to the rank of the principles of financial reporting, while in the national accounting this requirement is not selected either in the attributes of financial reporting or principles of the preparation of the financial statements. In the National Standard of Accounting 1 "relevant information" is defined as "the information, the lack of which may affect the decisions of users of financial reporting" [4].

The requirement of relevance is a key component of the requirement of appropriateness. Information is considered relevant if its absence or incorrect assessment may influence users' economic decisions, relevance depends on the amount of the article and error which was made in certain circumstances due to the omission or misstatement. This is an important requirement for information that should not be neglected. It occurs when the decision is made to disclose facts of economic life in such a form in which they would be useful for users following the requirements of efficiency of information.

Timeliness of information means that all relevant information should be timely included in the financial report, otherwise it will not reflect the real state of things.

The criteria of relevance of information should also include the value of it for forecasting. Forecasting value means that information should have enough reliable bases for assessing future prospects of work of the enterprise from the standpoint of users' interests and accuracy (confirmation or correction) of previously made forecasts regarding indicators of reporting period. Information is relevant if it is essential and timely for the user and provides a cost-based decision making [8, p.17].

We believe that next important characteristic of reporting information that is focused on solution, is reliability. It is absent in the Ukrainian system of attributes. It can be defined as follows: it is a property of the information that suggests enough freedom from errors and prejudices and it accurately represents what was supposed to show.

The next qualitative characteristic of information is its authenticity. The information is credible if it does not contain significant errors and biased judgments or impassioned estimates and truly reflects the economic activity. Truthfulness, completeness, objectivity (neutrality), and the prevalence of economic substance over the legal form impact on validity of information. At the same time the requirement of obtaining information more effectively must be carried out.

Truthfulness is to provide fair presentation about the activity of the enterprise. It consists in the fact that financial statements should truthfully reflect all transactions and other events. Result of these operations is to change the elements of the reporting forms that correspond to the recognition criteria.

One of the requirements of the reliability of information is its completeness. The information in the financial statements must be complete within essentiality and costs associated with its obtaining.

Neutrality of information means that it should not be granted selectively. It should not contain passionate assessment in order to achieve a predefined result. In our opinion it should be neutral approach to determine the amounts of income and expenses of the reporting period. Neutral approach should be to the recognition and measurement of assets and liabilities and determination of potential market value of the entity.

The requirement of substance over form consists in the fact that accounting of operations and reflection them in the reporting should be implemented according to their economic substance and not merely based on the legal form. Prevailing of economic substance over form in the National Standard of Accounting 1 is assigned to the principles of preparation of financial statements. But it is not attributed to the qualitative characteristics of information. At the same time, in the national standards of other countries, the demand substance over form is released in the qualitative characteristics of accounting information.

The principle of prudence is as a part of the qualitative characteristics or as a criterion of the reliability of information includes to the requirements of the quality of information.

Conceptual foundations consider prudence as qualitative characteristics, explaining its use and maintenance as follows: individuals who make up the financial statements should take into account the

uncertainty that inevitably accompanies many events and circumstances, such as the repayment of receivables, the probable term of exploitation of machinery and equipment and the number of possible claims concerning guarantees... Prudence – is the observance of certain caution during the formation of judgment, which is necessary in assessing by the conditions of uncertainty, in such a way that assets or income were not overstated and liabilities or expenses – understated [9, p. 155].

According to the Law of Ukraine about accounting "prudence" is the application of the methods of assessment in the accounting. These methods should prevent lowering estimates liabilities and expenditures and overstating assets and revenues of the enterprise [2].

Almost similar definition of this principle is presented in the National Standard of Accounting I "General requirements for financial reporting". There has been agreed that this principle is applied in accounting [4], but ignoring the name of the standard.

These presented definitions of the principle of prudence are aimed at establishing of information value of financial statements. This reporting consists in predictability, which is achieved by evaluating its elements in such a way as to ensure comparability of future sums repayment of obligations by the real value of detained assets and also to assess the income and expenses of the reporting period that involved in the calculation of the financial results.

Formation of useful information in compliance with the established principles of financial reporting under the influence of the principle of prudence allows you to set the scope of application of subjective judgments and calculations in the process of evaluation and determination of its individual elements, which promotes the adoption of appropriate management decisions.

The next qualitative characteristics of financial statements, which is unfortunately, also absent in the current system of accounting in Ukraine is essentiality (some economists include this characteristics to the principles of preparation of financial statements [11]). Essentiality is a category that resembles the relevancy. Relevancy suggests that all of the information that must be represented may help in predicting other information that is used in the process of developing and making decision or that may directly facilitate to the adoption of decision. But essentiality should also be used in the positive (descriptive) values for determining that all should be necessary for some uncertain result. Information is considered as essential (because reflection is necessary) if knowledge of this information may be important for users of accounting statements. The main value of essentiality is that it suggests a possible change opinions based on data from financial statements under the influence of the inclusion or correction of the data presented in any article [12].

In our view, essentiality should also be considered in connection with the problems caused by limited ability of certain users to understand the significant amount of information thoroughly. Financial information useful for making investment and other decisions can be particularly effectively used in the conditions of application computer technology and the various means of communication. One of the responsibilities of bookkeeper in the preparation of the financial statements is the structuring and presentation of this volume so that it was important for its users. Very large and very small amount of information can mislead users. In a very large amount of information relevant articles may be obvious and the user based on inadequate data would adopt a decision that probably has no sense. At the same time a very small amount of information does not provide a reliable prediction and adoption of reasonable decisions.

Thus, essentiality imposes restrictions on the information that is reflected in the financial statements.

We can not underestimate the request of effectiveness of information (the ratio of costs and benefits from obtaining information), which is absent in the Ukrainian legislation.

The requirement of efficiency provides that the benefits of external users from obtaining information should exceed costs for it obtaining. However, it is difficult to imagine users' benefits in quantitative terms.

In the National Standard of Accounting 1 "General Requirements to Financial Statements" a requirement of display fullness of all facts in economic activity has been fixed, but there is no requirement of materiality and the costs on obtaining information are not stipulated. In this regard, we consider it to be an appropriate legislative confirmation of the qualitative characteristics of information as the significance and effectiveness.

The latest information qualitative characteristic is its comparability. Comparability describes the user's ability to compare the financial statements of the company for various periods and the financial statements of different enterprises. Its precondition is the availability of relevant information for previous periods, providing information about the accounting policies of the enterprise and its changes. It is achieved by relative stability of the accounting policies of the company, i.e. by invariance without absolute necessity, as well as sequence of application [13, p. 25].

Following the qualitative characteristics of information it is necessary to combine them optimally that depends on the professional accountant (for example, following the requirement of relevance may conflict with the requirement of reliability or the principle of prudence). In this connection it is important to balance quality characteristics.

This study allowed forming the system of interrelated qualitative characteristics of financial statements, the application of which will allow receiving useful information in order to control (Fig. 1).

The sequence of drawing up some forms of financial statements subjects to logical operations in their historical development: first the corrected balance is drawn up, according to which the income statement is filled, and then all other forms of statement are filled. The most appropriate is the following sequence of financial statement: Preliminary adjusted balance sheet, Income statement (statement of comprehensive income) (f. number 2), Balance Sheet (Statement of Financial State) (f. number 1), Shareholders' equity report(f. number

4), Statement of cash flows (by the direct method) (f. number 3) Statement of cash flows (by the indirect method) (f. number 3-n) Notes to the annual financial statements (f. number 5) Appendix to Notes to the annual Financial Statements "Segment information" (f. number 6)

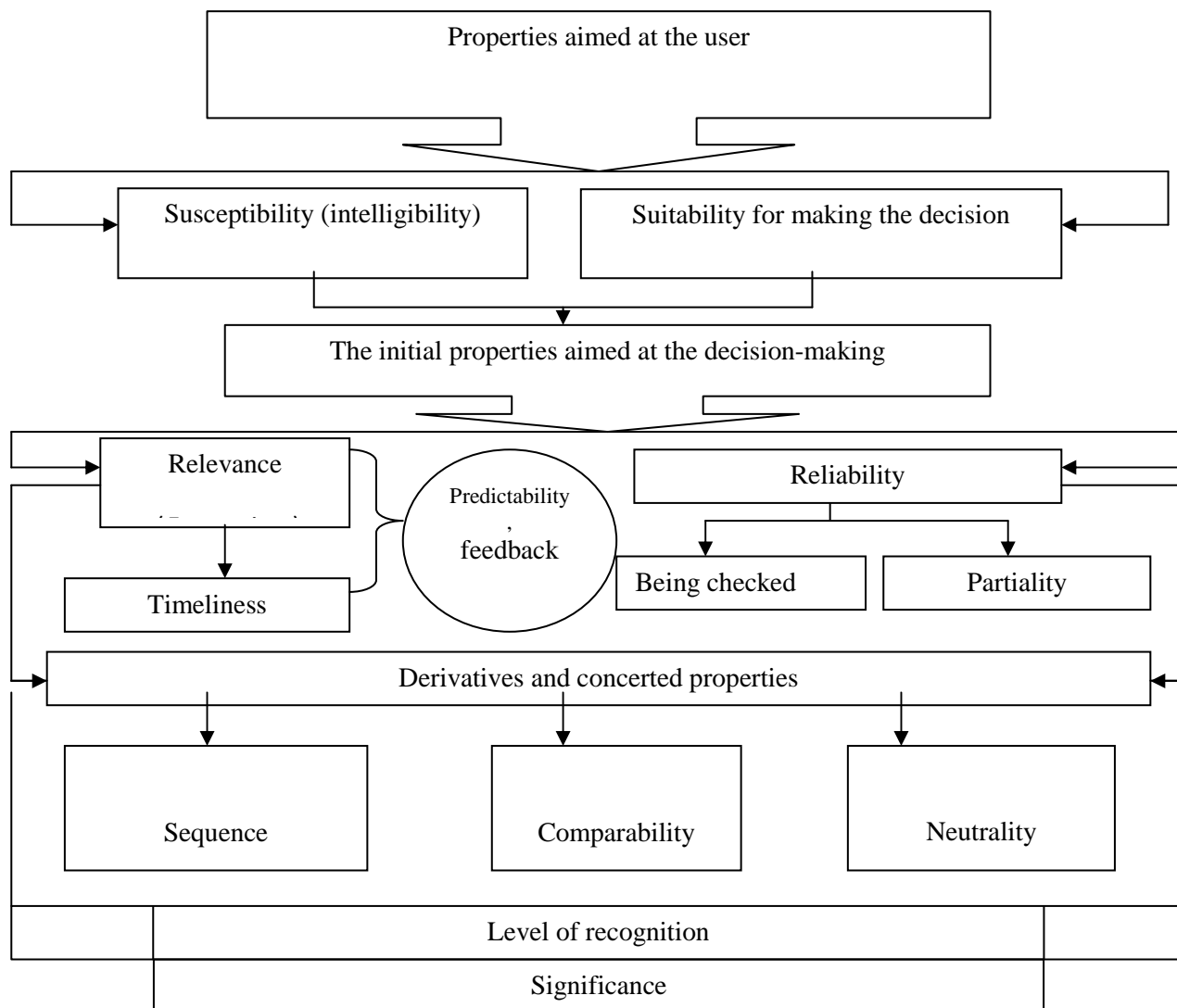


Figure. 1. The system of utility properties (quality characteristics) of financial statements information and their relationship

Author's elaboration

In Ukraine there are some problems with using statements. Thus, it is provided by the paragraph 2 of Article 14 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" that the enterprise reporting does not constitute a business secret, unless it is required by law. However, in Ukraine, as in other post-Soviet states, the interpretation of this paragraph has its own peculiarities. Mechanically after the situation in the Soviet Union, where any information was considered to be a state secret and to hide abuses, state-owned enterprises of all economic sectors and private and corporate structures tend to assume all financial reporting as a business secret. This causes much harm especially to the learning process of students in higher educational institutions of economic direction, of specialties economics, finance, management, accounting and auditing, etc. They often can't find out the indicators of financial statements on manufacturing practices, because of secrecy of information. The employees of research institutes often find themselves in the same situation, whose task is to examine the financial and economic situation of the entity, region and industry. In this case, the economic harm is done through the opacity and inaccessibility of information and the inability to evaluate and analyze information, identify the real financial and economic conditions and the factors influencing them.

In this regard, Makarova V.F. [14, p. 35] expressed a fair opinion that financial statements should be a picture of the facts of economic life, but in reality it is often a sarcophagus that hides the true state of affairs.

In economically developed countries firms show and demonstrate honesty, transparency and openness of their accounting. Obligatory information of accounting is saturated with data that contain the analysis of performance indicators, characterizing the technical, technological, social, environmental achievements and so on. Reports are filled with graphs, charts, photographs and other visual objects. In the world the competition for best annual reports and their indicators is organized. These reports are available for exploring for a wide range

of users, which can be suppliers, buyers, lenders, bankers and others. To disseminate information on its financial statements it is placed in the print media, on the Internet sites.

In addition, the formation of financial statements using its principles facilitates the interpretation of information presentation.

Conclusions and further research. Thus, on the basis of the research it is proved that the principles of financial reporting are products of market communication technologies that facilitate better management of the enterprise, meet the needs of participants of business in the relevant information about the capital market. It has been shown that the correct application of the principles of financial reporting should be considered in the context of the mission, strategy and business objectives that helps to evaluate their actual implementation and potential ability to build equity for the fulfilment of obligations to owners and business participants.

In addition, the formation of financial statements with the use of its principles facilitates the interpretation of submitting information.

The influence of the quality characteristics on the formation of real information in the financial statements allowed proving logical sequence of preparation and presentation of data in accordance with applicable standards. It is determined that the quality characteristics are not invariable; they are the subject to adjustments connected with changes in economic realities. It is important that these adjustments were made in accordance with the principles of data display and based on scientifically developed approaches that will ultimately be the guarantee of interests of financial statements users.

We propose to include to qualitative characteristics of financial statements the following items, displaying them in the National Standard of Accounting 1:

– Reliability. This is the property of information that suggests the absence of errors and partiality in the formation of the financial statements. Reliability is a function of credibility, being checked and neutrality;

– Being checked. The necessity of which has its source from the need for additional restrictions of partiality. Information is deemed to be checked if it is supported by its evidence or general independent opinion of qualified experts;

– Neutrality. It means that no one influence on the formation of the financial statements in order to achieve the desired (subjective) result;

– Timeliness. This element should be used as a tool in addition to the requirements of expediency. The information may not be appropriate if it is untimely because it should be suitable for a decision before it loses this ability. At the same time timeliness does not guarantee the expediency, but on the contrary the latter is impossible without timelines.

– Essentiality. With the formation of the financial statements the amount of information should be optimal, because its excess or deficiency can affect the quality of managerial decisions.

As a result of the proposed changes the system of quality characteristics relationship will serve as predictability and own the properties of feedback.

The promotion of positive experience of creation, saturation and demonstration of financial statements is necessary for further improvement of accounting and reporting in Ukraine. It is important not only for the promotion of economic entities but also for educational institutions that train future accountants. It is obvious that the Ministry of Finance of Ukraine could take over the mission of distribution of such information and the organization of things as described could contribute to the use of civilized approaches in accounting and reporting in Ukraine.

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Oliinichuk V.M, Oliinichuk O.I. THE PRINCIPLES OF FORMATION AND THE SYSTEM OF PROPERTIES OF THE USEFULNESS OF FINANCIAL STATEMENTS

Purpose. The development of theoretical, methodological provisions and practical recommendations according to the principles of formation and the system of properties of the usefulness of financial statements

Methodology. The principles of financial statements are the market product of communication technologies that promote better management of the enterprise, meet the needs of partners in business in the appropriate information according to the capital market, which links into the whole interests of various economic entities that make investment and other decisions on its basis have been substantiated in this article based on the conducted research. It was proved that the correctness of application of the principles of financial statements should be considered in the context of the mission, strategy and business objectives, that will allow to evaluate their actual performance and the potential possibility to build equity for the fulfillment of obligations to owners and business stakeholders, and that the formation of the financial statements in using its principles facilitates the interpretation of presenting information.

The impact of quality characteristics on the formation of real information in the financial statements that proved the logical sequence of the formation and presentation of data in accordance with current standards has been substantiated in this article. It has been established that quality characteristics are not the same; they are subordinate to correction that are associated with changes in economic realities. It was suggested to include the following items, with displaying them in National Standard of Accounting 1: reliability, verifying, neutrality, timeliness and essentiality into the system qualitative characteristics of financial statements.

Findings. Theoretical, methodological provisions and practical recommendations according to the principles of formation and the system of properties usefulness of financial statements and their impact on satisfaction of informational needs of a wide range of people acquired further research. It has been substantiated that the main requirement that was presented to the financial statements was the fact that it was useful for its users.

Originality. The system of interlinked qualitative characteristics of financial statements has been formed, the application of which will allow receiving useful information for the purposes of management.

Practical value. As a result of the proposed changes, system the relationship of quality characteristics will implement the functions of predictability and possess the properties of feedback.

Key words: financial statements, accounting and analytical information, principles of financial statements, accounting policies, quality characteristics.