

UDC 658.14/.17.657:330.8(4)9

DOI: 10.56318/eem2023.02.035

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Methodological tools in the processes of income and expenditure accounting: Contemporary discussions and developments in Galicia at the turn of the century

Abstract. Analytical reviews at the international level highlight the issue of the quality of public reporting information on the performance of companies and their economic potential. The component and subject of these discussions is the use of alternative methods in the accounting system – “comparison of income and expenses” and the “balance sheet approach”, which significantly affect the results of the calculated indicators. The purpose of this study is to formulate proposals for solving existing problems and analyse the best practices of accountants in Eastern Galicia in the second half of the 19th and mid-20th centuries to identify successful ideas for their use in modern research. The study uses a system of general scientific methods and specific techniques to clarify the role and significance of accounting information in the architectonics of the modern economy. The scientific results substantiate the author’s opinion that the information presented based on the approach of coordinating (comparing) income and expenses objectively reveals the level of performance of modern companies, and therefore, more meets the real needs for management processes and the functioning of the market mechanism. The paper substantiates that the methodology of “coordination of income and expenses” should be given more weight in accounting theory and practice, and the results obtained on its basis should take a more significant position in the system of market analytics criteria. The balance sheet approach with its fair value principles in the accounting system is considered necessary, but its application should be considered as an additional tool for providing information to investors and counterparties of the market process. On its basis, companies provide the capital and investment markets with information in their public financial statements about the state and structure of their actual financial and economic potential. The scientific results also include the methodological developments identified and evaluated in past studies, which are reasonably recognised as applicable to modern realities. The paper is valuable because the introduction of the studied methods into practice based on their proposed parity use and some provisions from past developments regarding the measurement of income and expenses will positively affect the information content and transparency of public reporting of modern companies

Keywords: accounting; public reporting; market environment; revenue and expenditure approach; balance sheet approach; historical developments

Article’s History:

Received: 10.09.2023

Revised: 18.11.2023

Accepted: 16.12.2023

Suggested Citation:

Lemishovska, O. (2023). Methodological tools in the processes of income and expenditure accounting: Contemporary discussions and developments in Galicia at the turn of the century. *Economics, Entrepreneurship, Management*, 10(2), 35-47. doi: 10.56318/eem2023.02.035.

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INTRODUCTION

In a modern globalised economy with an expanded network of capital and investment markets, discussions about the objectivity of publicly presented information about the real performance of company's activities are becoming more relevant. Criteria for disclosure of the effective functioning of an economic entity operate in a wide range, but most often use such indicators of the accounting and reporting system as sales volumes, profit (loss), and changes in the cost of equity. From the standpoint of the market mechanism (market economic assessment), the position is that accounting relevant and transparent public information allows assessing the current and predictive characteristics of the value of shares (equity) of companies on a more reasoned basis. However, in many theoretical presentations and practical reviews in relevant scientific publications, quite convincing arguments are given that the information formed based on modern accounting standardisation does not objectively reveal the results of operational activities and the cost expression of the productive power of the estimated financial and economic resources, does not reflect the real economic nature of the relationship between profit and capital.

At the international level, there was a debate about the use of one of two alternative accounting methodological approaches in the accounting and reporting system – “balance sheet” (“active – passive”) and “based on the coordination of income and expenses”. The methodological tools included in them significantly change the calculated total result of the company's activities. The first one is recommended by international accounting and reporting standards and focuses on reporting assets measured at fair (present) value. The second one, when calculating the financial result, focuses accounting procedures on the use of past historical expenses (accounting and writing off assets at the purchase price).

C.R. Baker (2019) makes convincing arguments that neither the balance sheet nor the income-expenditure approaches can be fully implemented in practice. With the current dominance of the balance sheet approach, information obtained using the accounting methodology for comparing operating income and expenses is still considered as a basic basis for the process of balancing the total results of the company's functioning. Ukrainian researchers A. Oriekhova & V. Tolstosheeva (2021) also note that market relations require revision and improvement of accounting for financial results, which are simultaneously affected by the method of reflecting income and expenses, and assets and liabilities. I. Chernikova & A. Poluliakh (2020) from the same standpoint, characterise the existing dualism in accounting methodology, noting that financial result as an accounting category is calculated either with the dominance of the methodology based on the difference between income and expenses, or is established considering changes in the amount of capital. L. Baruch (2018) makes a compelling argument that “as a result of excessive emphasis on the fair value of assets while neglecting the matching of income

and expenses, the traditional emphasis on profit disclosure in reporting, which continues to be an essential element for investors, has disappeared”.

In the study of E. Braun (2022), a substantive comparison of accounting methods of comparing income and expenses with the balance sheet approach is based on the analysis of the impact of accounting and reporting information on market conditions and equilibrium. This paper concludes that the introduction of fair value into the accounting system destroys the very basis of the market pricing process. Similar is the opinion of Ukrainian researchers K. Shevchuk & V. Bondar (2019), who noted that since the final results of an enterprise's activity affect not only its economic situation, but also the level of social production and consumption, it is necessary to take a more thorough and qualified approach to the development of its components – income and expenses, studying in detail and analysing the factors under the influence of which the financial result is formed. From the same macroeconomic standpoint, I. Pushkar & H. Nikolaeva (2021) consider areas of improvement of accounting and analytical support for the development of financial results, substantiating that they lie in the plane of detailing information on income received. Supporting such a development of the accounting and reporting system, H. Nazarova *et al.* (2020) note that the financial result, which is determined by comparing income and expenses, more objectively provides information to internal users for making managerial decisions.

The purpose of the study was to summarise modern discussions on the existing problem of using a more appropriate methodology for generating information about income and expenses in the accounting and reporting system of modern enterprises. The overall goal also includes conducting a retrospective analysis of past developments to identify successful ideas on the topic under study. The general methodological foundations of this study are based on the main function of the accounting system – reflecting the efficiency of activities (income, expenses and financial results) and the resource potential of the business entity. The research was carried out using general scientific methods and specific techniques in the field of accounting, management, and economics. When analysing and evaluating past developments, the methods of historical and logical analysis were used, which provided an objective review of the theoretical foundations and practices of reflecting the company's performance in accounting and public reporting. The conceptual and methodological foundations of the study are built based on the author's chosen content, a combination of the results of modern research and analysis of the solution of this problem in the past. The elements of scientific originality include the results of establishing separate accounting approaches to accounting for income and expenses that are relevant for modern research, formulated in papers published on the territory of Eastern Galicia in the period from the second half of the 19th century to the middle of the 20th century.

INTEGRATION OF ACCOUNTING AND MANAGEMENT ANALYTICS: FROM PUBLIC FINANCIAL STATEMENTS TO MARKET VALUE AND SUSTAINABILITY MODELS

The role of public financial reporting indicators in the company's management system and in market analytics models in the field of accounting and management is discussed in various contexts. At the methodological level of the accounting field of knowledge, the paper analyses the compliance of the use of the "operating income and expenses comparison" or "balance sheet method" approach in accounting with the current economic conditions. The debate on this issue raises questions about the impact of each of them on the value of the calculated financial result and the publicly presented value of financial and economic potential. In the literature, the current focus of accounting and reporting on the balance sheet model is generally characterised as quite rational and appropriate for the needs of the modern architecture of a market economy.

For a long period of time, questions have been discussed about the choice of the base and tools for verification of the company's performance (efficiency) in the accounting system. This line of research is aimed at comparing the accounting profit indicator with the market value criterion (Hax, 2003), that is the debate lies in the coordinates of historical and just value discussions. Some of the authors support accounting for fair value and indicate the erroneous application of present value in the modern economy, however, arguing for the need to develop an alternative conceptual framework (Rayman, 2007). Other authors, such as C. Laux & C. Leuz (2009), prove the existing obvious signs of crises of use in fair value accounting. In discussions on the research area, R. Barker & S. Schulte (2017) set the following question: if the introduction of the "fair value" of a certain tangible or intangible asset into the accounting system was fully confirmed, then the market mechanism (market analytics) would not be so in dire need of "useful information" as public financial statements are considered. That is, this refers to the fact that the fair value of a particular asset available to the company in the accounting system is recorded based on (with the help of) information from the market. Based on this state of affairs, A. Oriekhova & V. Tolstosheeva (2021) argue that market relations require revision and improvement of the system for providing information in the statement of financial results (statement of comprehensive income). Regarding Ukrainian practice, I. Chernikova & A. Poluliakh (2020) note that "the current regulatory framework for the organisation of accounting for income, expenses, and financial results does not allow fully meeting the needs of internal and external users of accounting information, since there is not enough detailed information about financial results and their ratio to the company's income and expenses".

To understand the depth of the problem, researchers focused on a well-known paradox in financial accounting, noted by L. Moore (2011). The problem lies in the difficulty of simultaneously achieving high-quality profit indicators for the reporting period and providing information on the

value of assets and liabilities at fair (present, market) value. The reflection of the real value of assets requires their re-valuation at present value, that is, accounting procedures, which, in turn, distort the objectivity of the calculated financial results. Theoretical developments provide arguments about the possibility of partially overcoming the existing problem based on analysis of the basic methodological foundations formulated in the past. T. Berdnikova (2011) considers that "synthesis of the best achievements of well-known accounting schools and analysis of the best practices of well-known researchers of the past can enrich accounting thought and ensure progress in improving the accounting of financial results of enterprises of the modern economy". A similar (related) view to Ukrainian scientists is held by the well-known American researcher L. Baruch (2018). Exploring the reasons for the deterioration in the usefulness of financial statement information and formulating the opinion on how to change this, the researcher concludes: "if coordination of revenues and expenses is a prerequisite for high-quality earnings information that is the focus of investor attention, then the income statement model developed in the past (the matching model) is not a relic of the past, but should be the guiding principle for building and improving modern accounting standards".

Modern publications in relevant scientific journals on the topic of this study also rely on past developments. In particular, this applies to the papers by representatives of the Austrian school of economics and the German school of accounting (Mises, 1920; Schmalenbach, 1931). In modern developments, it is noted that they formulate a sufficiently reasonable model for calculating the effectiveness of the capital cycle by comparing the costs incurred and the income received. For example, E. Braun *et al.* (2016) used the approach of L. Mises to capital in order to show how the market process can be explained based on the approach of the Austrian school. The study by M. Olbrich *et al.* (2015) also relies on business evaluation approaches based on the Austrian School. In developments aimed at formulating the reporting parameters of the relevant concepts of sustainable development, an expanded view of capital is also used, considering its cost form of social and environmental components.

PUBLIC FINANCIAL STATEMENTS AND THE MARKET ENVIRONMENT: CONTENT RELATIONSHIPS

To emphasise the role and importance of information of the accounting system and indicators of public financial statements in market processes, the paper analyses the generalised view of scientists on the disposition of reporting indicators as instrumental components in the system of market mechanism. R. Marshall & A. Lennard (2016) revealed exactly how the choice of the basis for measuring income and expenses in the accounting system and the information expressed in the reporting indicators affects the assessment of various market processes. From the standpoint of the functioning of the system and complex market tools, researchers hold the view that accounting institutions

are a “logical necessity of the market process, and the accounting function in this context has a reinforcing impact on the process of market balancing” (Braun, 2022). Modern advances in communication and information technologies have not significantly affected the format of financial (accounting) reporting. Public financial statements, as in previous periods, are intended to reveal the efficiency (effectiveness) of the company’s activities and the existing economic potential. The standardised content and essential parameter of public financial reporting indicators is considered from the standpoint of the non-equilibrium state of the current market environment. When processing further material, the author of this study adheres to the position that the profit shown in public financial statements should follow from transactions actually implemented (cash method of income recognition). The profit indicator calculated on the basis of a comparison of income and expenses is more realistic, and the information base of reporting in this case becomes more reliable to ensure the operation of the “invisible hand” in a market economy. This, to a greater extent, theoretical conclusion is confirmed by the results of surveys conducted at the practical level (Dichev *et al.*, 2013). They concerned the significance (weight) of criteria for ensuring the quality of accounting information about the financial results of companies. Systematic data showed that “92% of chief financial officers surveyed consider accounting policies to match income and expenses”.

Many modern analytical reviews point to a decline in the usefulness of information in companies’ financial statements. Empirical evidence is provided that the accounting and reporting information generated according to standardised requirements not only does not objectively reflect the company’s performance for the reporting period, but also does not allow investors to predict future results and explain the dynamics of share prices based on it. Investors, chief executive officers and market analysts discuss the relevance and usefulness of information in financial statements. L. Baruch (2018) cites the results of surveys that indicate both the general view and the reasons for the decline in the information usefulness of public reporting of companies. They are primarily concerned with “the growing gap between capital market performance and financial information, especially in terms of reported earnings”. This and similar theoretical conclusions are confirmed by the results obtained by Y. Biondi (2015) by conducting economic analysis using mathematical and experimental modelling. The study was aimed at identifying the level of influence of public reporting information on the establishment of expected market prices of shares in the future.

Balance sheet items provide information on the cost expression of the company’s available economic resources, capital, and liabilities. In modern balance sheets, such values are a mixed set of historical, fair, and some questionable valuation techniques. This group should also include the reflection in the balance sheet of various types of reserve and insurance sources to ensure unpredictable processes of capital loss without their support by actually created

property values (fictitious capital). The above significantly confuses and in many cases misleads external users about the real potential of the company. It is worth noting that at present, in fact, there is no alternative to financial statements in the form of a formalised integrated information system for the market mechanism.

The real existence of these and some other problems leads to the need for additional disclosure of operational data in various types of non-financial reporting. They provide alternative accounting standardisation data on income and expenses (one-time, random, etc.), which in one way or another affect the perception of external users about the company’s profitability for the reporting period. Since this type of adjustment is different in different companies, therefore, such information should be considered to be of limited use to external users (market analytics). Many of these speculative accounting procedures are difficult to disclose to external users of public statements, especially when it comes to deferred income and expenses or internally generated goodwill. In financial statements, an important criterion for external analytics is the ability to compare the correspondence of income data with cash flows within a particular company. Despite this, it can be interpreted with confidence that the profits in the accounting system determined by different conceptual and methodological approaches, which are used by different companies, to a certain extent, level the basis for comparative analysis (evaluation) of the effective activities of various market economy entities.

Modern approaches to the formation of reporting indicators focus on the fair value of a company’s assets and liabilities and its comprehensive income. This leads to the fact that the market environment is actually provided with somewhat conditional information, since on this basis it is declared that companies actually own the value expressed in the financial statements. In fact, the values estimated in the financial statements are based on the rather speculative assumption that the modern market is absolutely liquid at face value of long-term assets. In this context, T. Schildbach (2012) draws attention to such a somewhat paradoxical point, which is that it is the market that provides fair value information for the accounting system and at the same time uses it as formalised by this system. This is especially true for the entire group of intangible assets (the productive power of this type of resource potential, and with it the cost and its write-off). Many researchers hold the position that it is the problem of intangible assets that is the main reason for the deterioration of the usefulness of financial information for investors.

In recent years, there have been discussions about the recognition of intangible assets in accounting and the problems of accounting methodology to adequately reflect these assets. The same applies to goodwill, most of the elements of which are very vague (illusory), and therefore evaluated subjectively. There are also some arguments about including items in the balance sheet that cannot be clearly and unambiguously qualified as assets or liabilities (deferred income and deferred expenses). From a methodological standpoint, this can be classified by the accounting

technique “smoothing the reported income and its volunteerism”. From the standpoint of economic matter, information about profit (retained earnings, uncovered loss) is still very conditional, since the balance sheet asset does not provide sufficiently reliable equivalents.

The purpose of the study was not only to consider the current problems, but also to identify successful accounting decisions in the past, in particular in theoretical developments formulated on the territory of Galicia or implemented approaches to accounting for income and expenses. Such content is also used in other modern research. For example, Y. Biondi (2008) in his study uses the basic principles of economic theory of the famous scientist Joseph Alois Schumpeter through the prism of a dynamic accounting view of the firm. J. Schumpeter started his scientific activity on the territory of Austria-Hungary covered by the time frame of this study. He believed that it is expedient to use a dynamic accounting approach to present an economic entity in the market environment. The accounting system in this context has been characterised as a “sublime monument” in terms of cost – profit calculus and a type of activity that “powerfully drives the logic of the enterprise” (Schumpeter, 1987). This definition reflects the current view (mostly declarative) on the content of the relationship between public financial statements and the market environment. It is also worth noting the opinion of this researcher regarding the applied level of disclosure of the generalised economic category “capital”: “how many confusing and absurd disputes could have been avoided if economists had adhered to the accounting values of this term and the expression of capital”.

The above is intended to draw attention to the rather speculative modern operation in the capital and investment markets of the intangible component of companies' equity. The scientist argued that the concept of “capital” is monetary in essence and means either real money, or the right to money, or some goods that are valued in money. This definition largely confirms the accounting principles and criteria for capital recognition, which should also prevail in modern accounting conventions. The approaches to the category “capital” in accounting manuals and textbooks were similar to this. For example, it was noted that “the account of financial results (gains and losses) in its economic content is not only a result account, but directly a capital account, that is, an account of a proportionate (interrelated) reflection of property and capital gains” (Ciompa, 1910). In modern methods of estimating the value of companies, approaches to determining the value of equity of market entities are formulated on this basis.

COMPARISON OF THE METHODOLOGICAL BASIS OF INCOME-EXPENDITURE AND BALANCE SHEET APPROACHES AS A BASIS FOR MEASURING PROFITABILITY IN THE ACCOUNTING SYSTEM: A MODERN VIEW AND HISTORICAL EXCURSION

The balance sheet model is based on the fact that income reflects changes in net assets (equity) between two reporting

periods. The income statement model considers the performance of an enterprise by comparing recognised income and expenses for the reporting period. In modern practice, based on a certain combination of both approaches, an information basis is formed for analysing the efficiency (effectiveness) of an economic entity's activities. In the first model, profit refers specifically to expenses incurred and income received by the business entity, and therefore, the information generated on this basis is generally perceived as more specific. The accounting system informs an individual firm about the effectiveness of the financial and economic actions actually performed by it, which are informally close to the monetary profit received (Braun, 2022).

The reasons for the previously mentioned “deterioration in the usefulness of financial information” in the research are noted: “the neglect of organisations that set accounting standards, the traditional model of the income statement (the approach of comparing income with expenses) and setting priorities in favour of the balance sheet model (asset valuation)” (Baruch, 2018). It is considered that the approach based on the correspondence of income and expenses corresponds to the universal business model of spending resources in the process of making a profit. In analytical reviews on this topic, the real problem of the balance sheet model is seen not in its very conceptual basis, but in the inability to adapt the rules for accounting recognition and valuation of assets in the context of dynamic replacement of tangible assets with intangible ones. The analytical publication by E. Braun (2022), comparing the income and expense comparison method with the balance sheet approach, notes that high-quality earnings should be considered those that are stable and recurring, supported by actual cash flows in the absence of significant impact of one-off items and long-term estimates.

Based on the purely methodological content of the accounting system tools, a direct comparison of income-expenditure and balance sheet approaches can be carried out to a greater extent only at the abstract and logical level. At the same time, based on a generalising (estimated) view, the author of this study adheres to the position that the modern accounting and reporting system is largely removed from determining the total amount of profit based on actual operations. It is also recognised as real that in the methodology for comparing expenses and income, a significant problem point is the reflection of non-expendable assets and liabilities of a modern company. The principle of reflecting historical expenses in the balance sheet for such assets does not make much sense for the capital market. N. Hax (2003) holds the position that this component of the overall problem should be considered as one that cannot be solved perfectly. At the beginning of the 20th century, the basic principles of accounting and procedural methodology for comparing income and expenses for the reporting period were mainly formulated. They should be considered sufficiently suitable for determining net income, provided that companies operate in an industrial-type economy. In the current conditions, the focus was not on

individual assets and liabilities and their value, but on the results of the enterprise as a whole. Therefore, in practice, the assumption was made that the capital invested in the enterprise (own and borrowed) should be recovered from operating income. This indicator can be used to determine whether the company's expenses made effective sense, taking into account the criterion for forming sources for possible dividends for shareholders.

In the conditions of a post-industrial (information-intellectual) type of economy, this method of calculating total net income still cannot be considered suitable even if it is adapted. The conceptual basis of "dynamic accounting" (Schmalenbach, 1931) is formulated, which implies a continuous change in the dynamic environment (a market process outside equilibrium), and the balance sheet ("static accounting") is speculatively based on the stability of the external environment, in which equilibrium conditions prevail. The ideology of international standardisation of financial statements is based on the concept of fair value. The provisions of certain standards allow the use of prices for assets that could be obtained from its sale or the measurement of liabilities in a normal transaction between market participants at the valuation date.

Profit or loss in modern recognition is total income less expenses, excluding components of other comprehensive income. Total comprehensive income – this is a change in equity over the period and includes all components of "profit or loss" and "other comprehensive income", which, in turn, contains items of income or expense not recognised in profit or loss. The components of other comprehensive income are: changes in equity as a result of revaluation of property, gains and losses from investments in equity instruments measured at fair value, reflecting this result in other comprehensive income. In today's market environment, there is no guarantee that prices will remain the same until the company decides to sell the asset. Here it is obvious that information about fair value, and with it its materiality, is transferred to an unspecified future period.

The income statement model (comparison of income with expenses) was formulated in a generalised form as early as the 1930s. It is presented in a more formalised form in the monograph by W.A. Paton *et al.* (1940). In relation to fair value, it states: "when accounting is deprived of the anchor of real facts, it floats in a sea of psychological (subjective) estimates ... accounting as such cannot express them rationally". It is emphasised that accounting is not a process of evaluation by its very nature, but the distribution of historical expenses and income for the current and subsequent financial periods. Public instruments in the reporting system are the income statement and balance sheet, the first of which provides information on the attribution of income and expenses for the current period. The balance sheet shows the expenses incurred, which, according to the accepted principle, relate to future accounting periods.

The value of the calculated performance indicator is also affected by "expenses" of a non-financial nature, in particular, accrued depreciation on non-current assets (fixed

assets and intangible economic potential). The procedure in the accounting system here actually concerns writing off a part of the previously estimated fair value of an intangible economic potential. The problems of accounting for non-financial assets in the context of market prospects are well disclosed in the study by R. Barker & S. Schulte (2017), where the main problem situation is the uncertainty of the future (the expected economic life span of non-expendable assets) and, consequently, the establishment of a depreciation rate. Depreciation in the income and expense approach is consistent with the general idea that they correspond to accrued expenses and income (cash flows) that these assets generate. For the balance sheet approach, the amortisation method is the result of the difference between the fair value of the firm's assets at the beginning of the period and their present value at the end of the period; value added to total expenses will only be reflected if the fair value of the assets or liabilities of the relevant company has changed. There is no objection because intangible assets capitalised and recorded on the balance sheet should be subject to periodic depreciation and amortisation. In modern approaches, this applies to the depreciation of acquired intangible assets, and functionally identical internally created intangible assets are immediately written off as expenses. Consequently, the financial performance of companies that use different innovation strategies (internal creation or acquisition) cannot be compared.

ACCOUNTING AND PROCEDURAL METHODS IN PAST DEVELOPMENTS IN GALICIA

Various factors influenced the choice of the methodology for accounting for income, expenses, and results of an enterprise in the studied territory of Austro-Hungarian Galicia. Within the specified time frame, the accounting sphere (theory, practice, training) of this state entity and all its provinces was based on the principles of the German school of accounting. The developments of the Austrian school of economics and regional economic developments permanently caused the predominance of certain approaches to the reflection of the objects under study in the accounting system. Due to the influence of many factors on individual somewhat self-governing territorial entities of this monarchy, a rather special type of so-called "provincial accounting" was established (legislative definition and regulations for the possibility of building accounting practices that are adaptive for the specifics of a particular province).

The materials reviewed show that, both in theory and in practice, accounting profit has been permanently associated with the arithmetic value of the assets taken into account (the cost of capital estimated according to a certain approach) for the reporting period or a comparison of recognised operating income and expenses. First of all, it is necessary to give a basic basis on which the region relied when developing its own theoretical foundations and practical organisation of the accounting system. The most "authoritative" work for the organisation of practical accounting and professional training of accountants was

R. Reisch & K. Kreibig (1907). It clearly expressed the personalistic content of the effective account: “the profit and loss account is an intermediary (link) between individual analytical effective accounts and the capital account (net profit is transferred to the capital account”. In the Encyclopedia of accounting by R. Stern (1902), which, like the previous paper, was used in accounting practice at Galician enterprises, noted: “the profit and loss account, as well as the income and expense accounts, are those that relate to changes in property accounts. The net profit is the existing property fund discovered through the balance sheet, exceeding the initial contribution”.

The textbooks and manuals under study include some of those prepared and published by university (academic) educational institutions of the Ukrainian diaspora established between the two world wars. The materials given in them objectively made a significant contribution to the development of the accounting sector in the western Ukrainian lands, since they were used in close cooperation by cultural and educational societies and professional organisations of the Galician region. The materials of some of the reviewed accounting textbooks mainly begin with a description of the concept of capital and disclosure of the determinacy of its changes in determining the results of an enterprise’s activities.

The presentation of the accounting methodology for calculating the results of an enterprise’s activity, as in the textbook by Ya. Moraleyvych (1924), was based on the capital of the enterprise and its changes previously recorded by the accounting department. In this textbook, it is proved that “the termination of accounting activities ends with the main balance sheet account “capital account” with a certain balance on it, which shows the amount of property growth and capital growth and is called net profit”. The approach to determining the performance of an enterprise, which is carried out by comparing the sum of the balance sheets at the end and beginning of the year, is also presented in textbook by K. Bezkrivnyi (1932). The author’s justification of this methodology was based on the economic postulate formed at that time that profit is formed as a result of the cycle of all capital involved by the enterprise. Based on this, “the essence of accounting was determined, which consists in recording the initial state of property and obligations and the changes that occur in them”.

It is also necessary to cite some approaches to calculating the results described in textbooks prepared and published directly in Galicia. Thus, for example, P. Ciompa (1910) proceeded from the following point: “if the results (profit, loss) are presented in the accounts as an increase or decrease in property (share), then these results should also cause an equivalent increase or decrease (reaction) in capital accounts”. In practice, the calculation of the result activity of business entities was mainly carried out through changes in the property status previously recorded in the accounting system based on financial and economic operations actually performed by the enterprise. The approach reflected in the accounting training manuals essentially

followed the principle of the well-known development of E. Schmalenbach (1931), in particular, it was argued that in order to determine (establish) the objective amount of profit, one should focus on the movement of monetary expenses and income.

In any past or modern accounting methodology, the starting point is the issue of asset valuation. In the accounting environment of that time (theory and practice), as in the modern scientific community, the problem of applying prices for certain types of assets was discussed. For many of the authors’ opinions, a significant role was played by the formulated basis of valuation by R. Reisch & K. Kreibig (1907), which promoted the idea that “values intended for consumption should be calculated at use value, and those included in the processes of sale – at exchange value”. Many of the papers considered in this study reflect just such an approach to valuation, according to which assets were registered at historical value with subsequent reflection on the balance sheet of valuations linked to the current market value. The basic provisions set out in monograph by W.A. Paton *et al.* (1940), also used in the study by Y. Biondi (2015), are presented as German-American relations in the processes of formulating approaches to determining profit in accounting. The studied regional accounting textbooks published on the territory of Galicia contain references to even earlier (1929) publications by A.C. Littleton, in particular, on the use of subjective managerial assessments in the accounting system. Similar justifications are given in the development of P. Ciompa (1910), which uses a political and economic view of the processes of production and exchange of goods: “the task of accounting is to calculate exchange values based on their manifestations in the national economy (national economy)”. This also concerned the methodology for separating market and random income (profits) in the accounting system, for which it was suggested that “the most appropriate way to keep separate accounts in the general ledger is to account for accidental gains and losses” (Bezkrivnyi, 1932).

The issue of creating reserve capital for writing off losses received, which is relevant for modern practice, was considered differently. The manual by K. Bezkrivnyi (1932) provides the following: “sometimes it happens that losses, despite the created collateral (capital reserve), exceed the benefits and not only equity, but even the capital invested in the business decreases, it is proposed to open an account of “losses of previous years” to reflect the amount that overstates the capital”. When it is written off, the loss from the balance sheet disappears, and the capital is reduced by the same amount.

The issue of forming appropriate principles for allocating expenses incurred between reporting periods was resolved, which is a particularly relevant subject in modern case studies. These included amounts paid for the firm (acquired goodwill), concessions, privileges, and organisational funds for improvement (the organisation of many enterprises sometimes requires quite significant costs), experiments, advertising, etc. In order to avoid a

“dubious” active balance sheet item or distortion of the calculated financial result for the reporting period, the textbook (Bezkrovnyi, 1932) suggests creating a “fund to cover expected losses”, that is, an item that “shows that some part of the property is intended to cover expenses or losses associated with operations of the previous period”. To apply this technique, it is proposed to open a subaccount called “arrangement account”. With this method, expenses are covered (written off) for 10 years, and the uncovered amount remains in the asset.

The amount of expenses and, accordingly, the calculated result of activities are directly influenced by the chosen depreciation methods, the objectivity of which was a debatable issue. The issues of achieving the highest level of objectivity of the amount of accrued depreciation and the amount of certain depreciation for various objects of non-current assets were among the most controversial in accounting science and practice. Regional developments were influenced by the concept of balance sheet depreciation (bilanzielle Abschreibung) and calculation depreciation (kalkulatorische Abschreibung), developed within the framework of the German accounting school. They considered accounting procedures for calculating depreciation through their view of it as a purely expenditure category (part of the cost price) with simultaneous accumulation of funds for the restoration of fixed capital. Balance sheet depreciation was interpreted as a tool for adjusting the valuation of amortised assets. Here it is necessary to cite some proposals formulated by scientists of Galicia regarding the methods of “covering

the value or depreciation of property: 1 – through a direct reduction in the value of property (entry on the credit of the main property account); 2 – through the establishment of capital to cover the value of property (entry on the credit of the capital account)” (Bezkrovnyi, 1932).

For this study, the educational and scientific papers developed on the territory of Galicia at that time were selected. Econometric balance theory by P. Ciompa (1910) was tested in elective classes with students and discussions with the teaching staff of the Lviv University of Trade and Economics. This scientific development is aimed at formulating an adaptive balance sheet format as the main form of public reporting to reveal the financial and economic potential of an enterprise from the standpoint of its functioning within the macroeconomic environment. The accounting and reporting system is considered from the standpoint of the usefulness of its information within the national economy (in modern research, the context of public reporting and the market valuation system). The calculation of the effectiveness of an enterprise’s activity in this theory is based on a combination of the balance sheet and revenue-expenditure methods considered in the paper. A profit and loss account that accumulates information about the company’s performance is considered in the capital accounts group. In the methodological basis of this theory, the ascending (basic) point is recognised as the fact that each property result gives, as a consequence, the same result of capital. Table 1 provides an excerpt from the general list of content of those topics related to the research topic.

Table 1. Extract of current topics from the content of the theoretical development of the book by P. Ciompa (1910)

Original language	English language
ERSTER TEIL. Gruppierung des Vermögens und Kapitals	PART ONE. Grouping of property and capital
a) Gebrauchsvermögen	a) productive assets
b) Ideales Anlagevermögen und Kapital	b) ideal (intangible) basic property and capital
ZWEITER TEIL. Die Erfolgsberechnung	PART TWO. Calculating performance
B) Preisgewinn mit Vorrat	B) Price profit, including inventory
D) Preisverlust mit Mengengewinn oder Mengenverlust und mit Vorrat	D) Losses based on price changes, considering the increase or loss of inventory quantity
III. Reine Erfolgskonten	III. Net performance accounts
C) Die Kapitalkonten	C) Capital accounts
a) Das Gewinn- und Verlustkonto	a) Profit and loss statement
b) Die Berechnung des Reingewinnes oder Verlustes in der Praxis	b) Calculation of net profit or loss in practice

Notes: III – the third chapter of part two. The extract is presented as it is presented in the book

Source: P. Ciompa (1910)

The calculation of net profit formulated by the author on this basis (Die Berechnung des Reingewinnes oder Verlustes in der Praxis) was also expressed in the construction of the income statement (Das Gewinn- und Verlustkonto). The result of the company’s activity was calculated based on the following principle: “profit of property value is equal to the increase in property and capital”. To objectively reflect this indicator, various forms of its appearance are considered: price profit, considering its hidden form in stocks (Preisgewinn mit Vorrat) and possible losses as-

sociated with price changes in the economy (Preisverlust mit Mengengewinn oder Mengenverlust und mit Vorrat). Based on a complex combination of using fake accounts, an accounting methodology for building a “net” effective account (Reine Erfolgskonten) was established.

In this development, sufficient attention is paid to the accounting and reflection of intangible economic resources in accounting statements. Traditionally, such values, both in past and modern practice, are reflected in the accounting system and are shown in the balance sheet only when they

are purchased for a fee. The context of the author's consideration of this issue is quite similar to the views of some modern researchers regarding the reflection of various types of intangible assets in public reporting (Baruch, 2018; Braun, 2022). The research development argues that "such values can and should be valued when they actually exist and have value without their direct purchase". Consideration of such an accounting object is presented through the category "ideal (intangible) fixed assets and capital" (ideales Anlagevermögen und Kapital) proposed by the author. The necessity and reasoned principled approaches to the introduction of the entire spectrum of intangible economic resources in the accounting and reporting system are justified – "various kinds of intangible assets that are the values of the main property and represent the actual value of the enterprise's capital".

In modern research, the main problematic issue is the cost measurement of intangible assets. Against this background, it is worth noting the opinion of P. Ciompa (1910) on the assessment of internally created economic resources of an intangible type: "in most cases, it is impossible to achieve a real assessment, so the highest care should be taken when calculating their book value". It is argued that "such intangible objects (values) should be attributed to the main property (their productive energy is fixed capital)", and "the need for their depreciation to avoid encumbrance of balance sheet items".

Considerable attention is paid to the importance of correctly reflecting in accounting and reporting information about "reserve assets and reserve capital" (Reservevermögen und Reservekapital) with the allocation of "real reserve funds" (Wirkliche Reservefonds). It is noted that "reserve funds very often have no value, and therefore they cannot be considered a separate type of capital" (Ciompa, 1910). Regarding the accounting of reserve and regulatory objects in the then period, this theory also considered the main problems that are the basis of most issues of modern accounting – the recognition issue, the valuation issue, and the classification issue.

Textbook by A. Sciborski (1912) was intended for mastering the skills of practical accounting and scenarios for studying sectoral types of accounting and its organisation in state, national, and municipal enterprises and private farms. The introduction of new mandatory regulations required the allocation of a separate section in educational and practical manuals, which "should carefully familiarise administrative officials, accounting and fiscal services with accounting methods for reflecting income, expenses, and financial results". Similar to the modern research discussed above, the textbook provides appropriate approaches to the establishment of accounting methodological tools for objectively determining the effective activity and existing potential of the enterprise. Table 2 shows a list of topics related to the area of research.

Table 2. Extract of topics from the book by A. Sciborski (1912) concerning the area of research

Original language	English language
Rozdział IV. Zmiany majątkowe, spowodowane przychodami	Section IV. Changes in property ownership caused by income
Dział I. Rozdział I. Rozpoznanie majątku	Chapter I. Section I. Property recognition
Oszacowanie majątku	Assessment of property ownership
Dział II. Rozdział I. Zmiany majątkowe	Chapter II. Section I. Changes in ownership
I. Prsz potrzebach (rozchodach)	I. Due to needs (costs)
II. Przy pokryciach (przychodach)	II. Through coverage (revenue)
O wynikach jakie z zamknięcia rachunkowego okazać się mogą	Closing accounts that may affect the results:
A. Co do przychodów	A. Which relate to income
B. Co do rozchodów	B. Related to expenses
Bilans majątkowy	Property balance
Sposób sporządzania bilansu majątkowego	Method of drawing up a property balance sheet

Notes: the extract is presented as it is presented in the book

Source: A. Sciborski (1912)

The author emphasised the direct dependence (influence) of recognised income for the reporting period on the property status of the enterprise (Zmiany majątkowe, spowodowane przychodami). Similarly to the current debate, the problem of assessing the property status of an enterprise (Oszacowanie majątku) was presented, considering the impact on its changes of the total amount of operating income and expenses (prsz potrzebach (rozchodach), przy pokryciach (przychodach)), including income of an opportunistic

nature, and the distribution of expenses between reporting periods. In a variant and debatable way, the material on methods of closing accounting accounts that may affect the results is presented (O wynikach jakie z zamknięcia rachunkowego okazać się mogą). The author separately provided a comparison of methods for reflecting income in the accounting system (Co do przychodów), and separately appropriate for practice, cost calculation methods (Co do rozchodów). The overall performance of the enterprise was still based on

a comparison of income with expenses, and the method of balance sheet generalisation (Sposób sporządzania bilansu majątkowego) was based on asset acquisition prices without any corrective procedures (Sciborski, 1912).

The book by A. Juliusz (1899) was published at the Dublyansk school as a textbook for higher field schools and practical application by agricultural enterprises in coordination with the National Department of the Kingdom of Galicia and Lodomeria. In this training manual, based on the established basic principles and principles of agricul-

tural accounting, approaches to accounting organisation adapted to regional conditions are added. In general, the material of the manual is presented from the standpoint of accounting functions in managing the economic parameters of large farms. It proposes specific approaches to calculating the performance of extensive farms, where the final result of the activity is crops that have no market equivalents, as they are consumed on the farm itself. For a general presentation of the manual, below is an excerpt of topics related to the study (Table 3).

Table 3. Content and list of current topics in the book by A. Juliusz (1899)

Original language	English language
IV. Inwentura	IV. Inventory
3. Szacowanie czyli oznaczenie wartości części składowych majątku	3. Evaluation or marking the value of property components
4. Pogląd krytyczny na błędne sposoby szacowania	4. Critical view of incorrect evaluation methods
V. Wykaz przewidywanych obrotów gospodarskich (speranda, budżet, preliminarz)	V. Description of expected turnover (calculation, budget, estimate)
2. Preliminarz przychodu i rozchodu pieniędzy	2. estimation of monetary income and expenses
4. Preliminarz przychodu i rozchodu paszy	4. Assessment of other income and expenses
5. Preliminarze rozmaite	5. Different types of ratings

Notes: the extract is presented as it is presented in the book

Source: A. Juliusz (1899)

Given the significant differences in prices in different provinces of the Austro-Hungarian monarchy, a significant part of the material in the manual is devoted to discussing the accounting valuation (value) of property components (Szacowanie czyli oznaczenie wartości części składowych majątku). The problem of the value expression of fixed assets (mostly land funds) was similar to modern discussions regarding the reflection of the fair value of long-term assets of companies of different national economies in terms of economic development. Just as the modern international standardisation of accounting and reporting does not consider the conditions of the subject's activity in the preparation and public presentation of financial statements, so at that time unified state mandatory instructions on the valuation of assets in the accounting system were developed. The manual therefore gave a critical look at incorrect evaluation methods (Pogląd krytyczny na błędne sposoby szacowania (Juliusz, 1899)).

In the manual, in the conventional practice of that time, the result activity of an enterprise in accounting was calculated by comparing operating income and expenses incurred, expressed in one way or another in monetary units. Based on this information, a generalised description of the expected turnover was established, calculations were made, and the budget and estimate of the farm were calculated (Wykaz przewidywanych obrotów gospodarskich (speranda, budżet, preliminarz)). The overall result of the farm's activity was based on the result of monetary income and expenses (Preliminarz przychodu i rozchodu pieniędzy). The above method was similar in content to the well-known developments discussed in this paper (Juliusz, 1899).

In order to streamline the economy of their farms, landowners of western Ukrainian territories were forced to view the high importance of introducing their own accounting system to determine the results of management. In the publications of that time, arguments were given about the far-fetched (artificial) nature of introducing a monetary meter to the part of products that were used and consumed in their economy. In many cases, practice has shown that the use of speculative assessment methods significantly distorts the profitability of certain types of crop production, animal husbandry or processing shops calculated on this basis. Consideration of the objectivity (expediency) of applying estimates obtained from the external environment in the accounting system that existed at that time was similar to the modern debate about the use of fair value. The manual suggested different approaches and types of estimates for other income and expenses (Preliminarz przychodu i rozchodu paszy), which were still subjective in nature.

CONCLUSIONS

The public presentation by socially significant companies of the objective result of their activities and the cost expression of their financial and economic potential of material and especially non-material types is not only a methodological problem of the accounting sphere. The information formalised in the financial statements about the effectiveness and real resource potential of market economy entities provides a more reasoned basis for establishing the company's market position, increases the efficiency of the market mechanism. Thus, dominance in the accounting system models based on the correspondence of income

and expenses are proposed to be considered as a guideline for improving modern standardisation of accounting. This approach will strengthen arguments about the principles of including items that cannot be unambiguously classified as assets or liabilities in the balance sheet summary. Giving priority to the methodology of matching income and expenses will, to some extent, also help to resolve the issue of capitalising intangible assets. Its use is limited by criteria for clear recognition of this type of economic resources using accounting procedures for attributing to deferred expenses those that cannot be identified. When accounting for intangible assets in public statements, a criterion for establishing their productive energy as part of fixed capital is proposed, and the need for their depreciation is argued to avoid encumbrance of balance sheet items.

The practices of accountants in Eastern Galicia in the second half of the 19th and mid-20th centuries, considered in the study, can be used in the modern methodology of allocating incurred expenses between reporting periods. This applies to those approaches and methods that provided the principles of attributing a certain part of the results of activities directly to the capital account. Methods of cost measurement in the accounting system of intangible assets

may also be in demand in modern developments and goodwill, most of the elements of which in the modern economy are uncertain (illusory), and therefore evaluated subjectively. For the development of modern standardisation, it is advisable to use the basic basis of past development, in which it is argued that intangible assets should be valued even without their direct purchase. This also applies to the method of separating market and random income (profits) in the accounting system.

An urgent issue for modern practice is the creation of real reserve capital for writing off losses received, and therefore, for the development of Ukrainian standardisation of accounting and reporting at a more in-depth level, it is advisable to consider methodological developments regarding the reflection of information on reserve assets and reserve capital, which are prospects for further research on this topic.

ACKNOWLEDGEMENTS

None.

CONFLICT OF INTEREST

None.

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Методичний інструментарій в процесах обліку доходів і витрат: сучасні дискусії і розробки в Галичині на рубежі епох

Анотація. В аналітичних оглядах на міжнародному рівні актуалізується проблематика щодо якості інформації публічної звітності про результативність діяльності компаній та їх економічний потенціал. Складовою і предметом цих обговорень виступає використання в бухгалтерській системі альтернативних методик – «зіставлення доходів і витрат» та «балансового підходу», які суттєво впливають на результати обчислених показників. Метою цієї роботи є формулювання пропозицій для вирішування існуючої проблематики, а також аналіз напрацювань бухгалтерів Східної Галичини другої половини ХІХ-го – середини ХХ ст. для виявлення в них вдалих ідей для їх використання в сучасних дослідженнях. У дослідженні використано систему загальнонаукових методів і специфічних прийомів для з'ясування ролі і значимості бухгалтерської інформації в архітектоніці сучасної економіки. Науковими результатами статті є обґрунтування авторської позиції про те, що інформація, представлена на основі підходу узгодження (порівняння) доходів і витрат об'єктивніше розкриває рівень результативності сучасних компаній, а тому більшою мірою відповідає реальним потребам для управлінських процесів та функціонування ринкового механізму. Обґрунтовано позицію про те, що методиці «узгодження доходів і витрат» слід надати більшої вагомості в бухгалтерській теорії і практиці, а отримані на її основі результати повинні зайняти більш вагому диспозицію в системі критеріїв ринкової аналітики. Балансовий підхід з його принципами справедливої вартості в бухгалтерській системі вважається необхідним, проте його застосування доцільно розглядати додатковим інструментальним засобом для надання інформації інвесторам та контрагентам ринкового процесу. На його основі компанії інформацією публічної фінансової звітності забезпечують ринки капіталів та інвестицій про стан та структуру реально існуючого в них фінансово-економічного потенціалу. Складовими наукових результатів є також виявлені та оцінені в досліджених минулих розробках методичні напрацювання, які аргументовано визнано придатними і для сучасних реалій. Дослідження цінне тим, що впровадження у практику досліджених методик на засадах пропонованого їх паритетного використання та деяких положень з минулих напрацювань стосовно виміру доходів і витрат позитивно вплине на інформативність і прозорість публічної звітності сучасних компаній

Ключові слова: бухгалтерський облік; публічна звітність; ринкове середовище; доходно-видатковий підхід; балансовий підхід; історичні напрацювання