

METHODOLOGICAL FOUNDATIONS OF THE SIMPLIFIED ACCOUNTING SYSTEM IN THE CONTEXT OF DIGITALISATION IN UKRAINE

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Abstract. The article is devoted to the problems of the methodology of simplified accounting in Ukraine. The *purpose* of the article is to generalise the methodological basis of simplified accounting, as well as to identify the transformation of the components of the methodology of simplified accounting in the conditions of digitalisation. *Methodology.* The analytical method was used to identify the components of the simplified accounting methodology. Clarification of the conceptual apparatus was carried out using the method of induction based on the generalisation of the views of scientists and changes in the business environment. The comparative method was used to study the regulation of simplified accounting in Ukraine and Europe. The monographic method was used to describe the research results. *Results.* The nature of the activity of small enterprises requires simpler accounting methods, valuation methods, simplification of documentation, reporting, partial rejection of double-entry accounting, etc. The simplified accounting system adapts the theory and methodology of accounting to the economic practice of an individual small business. The methodological basis of the simplified accounting system are the constituent elements of the accounting methodology, the change of which is necessary and sufficient for the formation of a simplified accounting system, which differs from the general one. The digitalisation of the processes of collecting, processing, disseminating and storing information causes transformation processes in the methodology of simplified accounting aimed at the formation of the space of digitalised economic information. *Practical implications.* The requirements of the business environment and digitisation processes have been disclosed. The conceptual apparatus was clarified based on the analysis of regulatory documents. The transformation of the methodological bases of the simplified accounting system has been identified, which will ensure the adoption of the principle of stakeholder orientation, the development of simple and simplified forms of accounting, and the creation of the space of digitised economic information. The article identifies the need to introduce an XBRL taxonomy for simplified accounting, consistent with the main taxonomy, which is a necessary component of digitisation of simplified accounting. *Value/Originality.* Focusing on stakeholders and promoting digitalisation will help to increase understanding and manageability among small businesses.

Key words: simplified accounting, small businesses, digitalisation, XBRL taxation, methodology.

JEL Classification: M41, M21, O31, B41

1. Introduction

The activity of small enterprises is characterised by a small number of transactions for small amounts, a relatively small volume of turnover and the use of a limited number of accounting objects in their activity. Therefore, the general accounting system is too cumbersome for small businesses and its use is impractical. The logical solution is to simplify taxation, accounting

and reporting procedures. Such simplifications concern elements of the accounting method, accounting policy, forms of accounting and accounting treatments. These items are components of a simplified accounting system.

A necessary component of the management of a small business is the availability of reliable, relevant and understandable information, presented in a form suitable for decision-

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making. Digitalisation processes are becoming an important factor influencing the development of accounting methodology. The digitalisation of economic information is directly related to the transformation of accounting methodology. The use of digital technologies has fundamentally changed the methods of collecting, processing, transmitting and storing accounting information. This expands the possibilities of simplified accounting, affects its methodology and reformats the accounting profession.

2. Simplified Accounting Methodology in Scientific Research

The study of the simplified accounting methodology is relevant and is the subject of attention of many scholars. The author concurs with O. Chepets regarding the defined objectives of introducing a simplified accounting system for small businesses, in particular:

- Simplification of income taxation for small businesses;
- minimisation of their expenses for accounting and reporting;
- reduction in the number of disputes between taxpayers and regulatory authorities;
- increase in the level of employment;
- increase in budget revenues, reduction of tax administration costs (Chepets, 2014).

In addition to the stated objectives, other objectives can be added, such as stimulating and supporting entrepreneurial activity, increasing business activity in times of crisis, and reducing the accounting education requirements for entrepreneurs of small businesses.

M. V. Koryagin defines such components of accounting methodology as accounting methods and principles, as well as techniques, tools and approaches to performing accounting operations. The scientist identifies four approaches to the construction of accounting methodology. The treatment approach is based on the study of accounting operations – observation, measurement, classification, systematisation. The additive approach considers accounting as a set of methods, techniques and tools (Koryagin, 2018). The combination of procedural and additive approaches is achieved by establishing correspondence between accounting methods and accounting treatment. The system approach proposes to consider the accounting methodology through a systematic analysis of elements,

their connections and the external and internal environment. At the same time, the theory, methodology, praxeology and organisation of accounting are considered inseparable (Koryagin, 2018).

N. M. Maliuha considers accounting methodology as the doctrine of methods, techniques and methods of understanding economic phenomena and processes that are the subject of accounting (Maliuha, 2005).

V. V. Yasyshena considers that accounting methodology includes not only special methods, but also all methods of scientific knowledge, including methods of the theoretical level, methods of the empirical level, and methods belonging to both the theoretical and empirical levels (Yasyshena, 2020).

Considering the methodology of the simplified accounting system, one should find out the components of this system. According to the Tax Code of Ukraine, the simplified system of taxation, accounting and reporting is a special mechanism for payment of taxes and fees, according to which a single tax is paid instead of separate taxes and fees with simultaneous simplified accounting and reporting (The Tax Code of Ukraine, 2011). Such a definition corresponds to the purposes of taxation, but does not reflect the essence of the concept of "simplified accounting system" for accounting science. According to O. Koba and V. Savchenko, the simplified accounting system is based on the use of two components: 1. Simplified chart of accounts and 2. Simplified accounting procedures, in particular, simplification of accounting registers (Koba, 2018). In author's opinion, this understanding of the simplified accounting system is limited. This publication considers that the components of the accounting system are the accounting policy, the form of accounting and the accounting treatments (Figure 1).

Simplified accounting is the result of adapting the general accounting system to the needs of small businesses. It functions as an element of the small business management system. The simplified accounting system is a special mechanism for ensuring and conducting the accounting of a small business according to the existing methodology. The simplified accounting system adapts the theory and methodology of accounting to the economic practice of a small business.

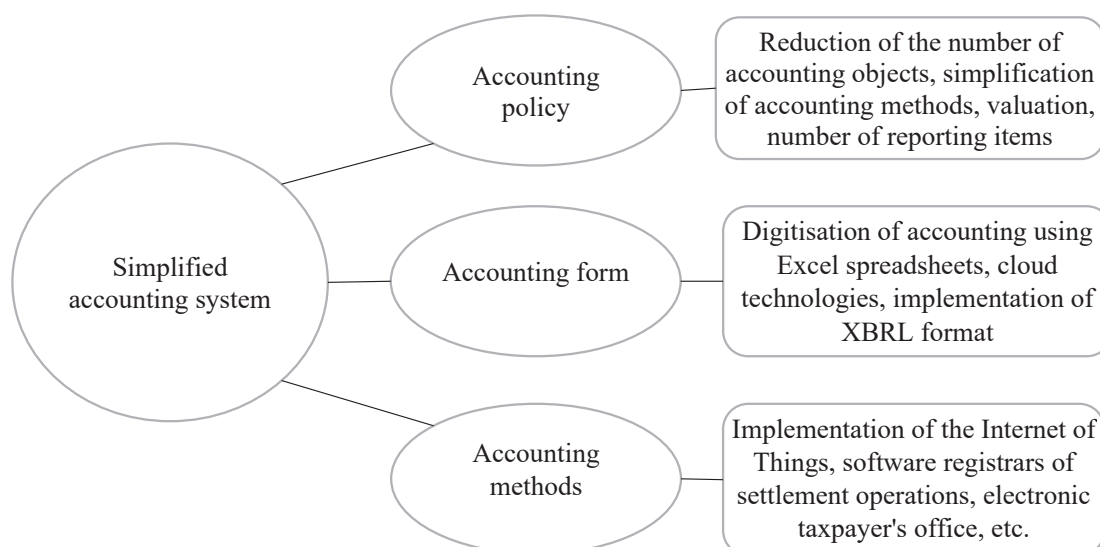


Figure 1. Elements of a simplified accounting system in the context of digitalisation

Source: created by the author

The simplification of accounting is mainly expressed in the transformation of the elements of the accounting method (Table 1).

As can be seen, the simplifications affect all components of the accounting method. This is particularly evident in the example of double entry. Its abolition has created a simple form of accounting. It is advisable to choose it for micro-enterprises that do not plan to expand their activities or become VAT payers. Otherwise, when the size limit is reached, the company will have to completely revise the accounting system and adopt double entry, which may require significant changes in the configuration of accounting software products. Therefore, if a micro-enterprise intends to grow, it is better to choose a double-

entry accounting system, which will eliminate the difficulties of transition in the future.

3. Regulation of the Simplified Accounting System in Ukraine

Ukraine has a high level of government regulation of accounting. There are a number of regulatory documents. The main regulatory document for simplified accounting in Ukraine is the Tax Code. Tax purposes remain the primary need for accounting simplification. A. V. Dovbush and G. I. Davydovska note that the tax system adopted in Ukraine has a decisive influence on the organisation and methodology of simplified accounting (Dovbush, 2020). The same opinion

Table 1

Transformation of accounting method elements in a simplified accounting system

Accounting method elements	Usage in a simplified accounting system
Documentation	Reduction in the number of accounting objects, the number of details and items disclosed in documents, the volume of documentation in general;
Inventory	Reduction in asset and liability inventory requirements, frequency and volume;
Rating	The option not to use fair value, but to measure all properties at historical cost and not to revalue.
Calculation	The possibility of not calculating differences and reserves in the accounts, and of making calculations using the simplest methods;
Accounts	Reduction of the number of accounts by merging;
Double entry	The ability to use a simple accounting form without double entry;
Balance sheet and reporting	Decrease the number of reports and the number of items in the reports, reduce the frequency of reporting.

Source: created by the author

Table 2

Review of regulatory acts governing simplified accounting

Regulatory documents	Methodological norms of simplified accounting
The Law of Ukraine "On Accounting and Financial Reporting in Ukraine".	Establishes criteria for distinguishing small and micro-enterprises; establishes the basic methodological norms of accounting grants the right to prepare abridged financial statements exempts them from providing a management report; allows micro-enterprises not subject to VAT not to use double-entry bookkeeping.
The Tax Code of Ukraine (TCU)	Establishes a simplified system of taxation, accounting and reporting; establishes that taxpayers of a single tax may keep simplified accounts; establishes criteria for companies to pay a single tax and keep simplified accounts and reports; regulates the procedure for calculating and paying the single tax.
National regulation (standard) of accounting 25 "Simplified Financial Reporting" (NR(S)A 25)	Establishes the forms of abbreviated financial statements for small and micro-enterprises, as well as the procedure for filling them in; provides for the following simplifications in the accounting of micro-enterprises: to record fixed assets at historical cost; not to set up provisions for expenses and payments; to include receivables in the balance sheet at their actual amount.
Methodological recommendations for the use of accounting registers by small enterprises (2003)	regulate two forms of simplified accounting: simple – without the use of double entry, and simplified; establish forms of accounting registers and their printing parameters; regulates the method of accounting of small enterprises by the objects.
Methodological Recommendations on the Use of Accounting Registers by Small Enterprises (2011)	Regulates the keeping of accounting order journals designed for small businesses.
Simplified Chart of Accounts for Accounting of Assets, Capital, Liabilities and Business Operations of Enterprises	Provides accounts for the systematisation of accounting information, built by reducing and merging the accounts of the main chart of accounts.

Source: created by the author

is shared by N. V. Khocha. She proposes an algorithm for the selection of accounting methods depending on the taxation system of the company (Khocha, 2018). The regulatory framework of simplified accounting in Ukraine has been reviewed (Table 2).

Having analysed the legal acts regulating the simplified accounting methodology, it can be concluded that there are some contradictions. The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and the Tax Code of Ukraine establish different approaches to determining the size of enterprises. There is a conflict between the definition of small business for economic purposes and the definition of small business for tax purposes. The criteria for classifying small enterprises for tax purposes have a much lower threshold, which creates unfair business conditions. At the same time, the TCU defines a simplified system of accounting and reporting. It should also be noted that simplified accounting with a simplified tax system is used by the companies

defined in the TCU. NR(S)A 25 "Simplified Financial Reporting" grants the right to prepare simplified financial reporting to companies that belong to the small companies as defined in the Law.

The law stipulates that micro-enterprises can keep accounts without double entry. I. Lozinska rightly points out that although certain categories of small enterprises have been exempted from the need to keep double-entry accounts, they are still required to prepare a balance sheet, albeit in abbreviated form, in which assets and liabilities must be equal, which is difficult to do without double-entry accounts (Lozinska, 2011). Therefore, although the entities that file abbreviated accounts are clearly defined in NR(S)A 25, it is difficult to clearly answer the question of which entities have the right to use a simplified accounting system.

If one analyses the Methodological Recommendations (2003) in general, they are focused on paper accounting and manual record keeping. This could be explained by the fact that

more than twenty years have passed since their adoption. However, it is possible to compare them with the Methodological Recommendations on the Use of Accounting Registers (2011), the latest edition of which was adopted in 2021. Although they indicate that the enterprise may keep accounting records in electronic form, the methodological norms are also oriented towards keeping paper accounting records with the use of order journals. In addition, the regulatory authorities accept the reporting of companies in electronic form using electronic means of communication. There is a wide range of accounting software that automatically generalises and processes data. Large companies and others defined by law are required to submit reports in XBRL format. It is expected that the accounting records of all companies will be converted to the XBRL format. Therefore, regulatory documents need to be revised to take into account digitisation processes. It is necessary to determine which objects and indicators should be collected, processed and disclosed. For each indicator, the method of its calculation should be determined; options for electronic forms for accounting programmes should be established.

It is necessary to regulate the disclosure of indicators of the total value of assets, which is required by the recommendations of the European Commission 2006/361/EU. According to V. V. Tokarenko, the disclosure of such indicators would exclude the artificial concealment of income by small businesses and could become an alternative to the use of electronic payment recorders, the implementation of which causes significant resistance from business (Tokarenko, 2023).

As far as the Simplified Chart of Accounts is concerned, it has already attracted a lot of criticism at the stage of implementation. Its excessive generalisation does not meet the requirements for the preparation of financial statements of small and micro-enterprises. In practice, it is necessary to open additional accounts both for accounting and reporting purposes and for management purposes. In addition, the approved registers of a simple form of accounting do not provide for the use of a chart of accounts.

Separately, the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" establishes a list of companies that are required to use

International Financial Reporting Standards and grants permission to use them voluntarily. A separate standard has been developed for small enterprises.

The International Standard of Financial Reporting for SMEs is a comprehensive document that establishes the basic principles and regulates the methodology of simplified accounting and reporting. As the standard regulates the reflection of equity capital formation using shares, hedging transactions, adjustment of differences, it can be concluded that the standard is aimed at medium-sized enterprises and can be used by small enterprises.

However, micro-entities do not have the ability to use simple accounting without double entry, to use the cash method of accounting without using the accrual method, to use assets at historical cost rather than fair value, and to use a number of other simplifications. In recognition of this, the International Standards Board has developed "A Guide for Micro-sized Entities Applying the IFRS for SMEs" (2013). This guide is not in conflict with the standard, but is an extract from the standard that is necessary for micro-entities. It also contains detailed explanations of accounting principles, methods and tools. However, there has been no additional simplification of accounting for micro-enterprises.

The disadvantage of the standard is a certain vagueness and generalisation, since its implementation is expected in different countries, each of which has its own legislation on small businesses and simplified accounting. Separately, there is the problem of establishing the XBRL taxonomy for simplified accounting and its coordination with the main taxonomy, which is a necessary component of the digitisation of simplified accounting.

4. Digitisation of Simplified Accounting in Small Enterprises

Digitalisation of information collection, processing, dissemination and storage causes a change in the methodology of simplified accounting. According to N. Iershova, the constituent elements of the information space are information resources, tools for working with information, which include collection, processing, search, dissemination and storage, as well as tools of information interaction

(Iershova, 2020). Therefore, in the digitised space of economic information, accounting occupies a prominent place, acting as an inherent part of economic information systems.

The methodological basis of the simplified accounting system are the constituent elements of the accounting methodology, the change of which is necessary and sufficient for the formation of a simplified accounting system, which differs from the general one. The accounting methodology of small businesses is changing under the influence of the simplified accounting system on the one hand and digitalisation on the other. The development of the business environment places new demands on accounting. Among other things, it is necessary to extend the list of accounting principles by focusing on stakeholders and ensuring manageability, which will make it possible to define the ultimate goal of accounting and give it direction. Based on the goals of small business development, accounting simplifications are being made that are directly related to the methodology. Simplifications concern both the elements of the method and the treatments, methods and techniques of information processing that have been considered above.

Digitisation obviously affects the forms, methods and techniques of processing accounting information. However, the impact on accounting methodology is less obvious. Digitalisation has eliminated the time and space lag between the execution of the transaction and the receipt of information about it for accounting processing, with a corresponding effect on accounting methodology. For example, where previously product receipts were accounted for at planned prices with subsequent adjustment to actual prices, it is now possible to receive finished products immediately at actual cost.

The change in accounting methodology has a mixed impact on the accounting profession. On the one hand, the simplification of accounting reduces the demands on the profession. The number of accounting objects and the amount of accounting documents is reduced, the number of indicators to be disclosed is reduced, and valuation methods are simplified. On the other hand, digitalisation requires expanding

the competences of accounting employees, increasing the level of their skills in working with accounting programs, interpreting the obtained indicators and comparing indicators from various electronic sources. The ability to work with a wide range of economic information is required. The requirements for data security and the creation of levels of access to it are also increasing.

5. Conclusions

The methodology of simplified accounting is currently being formed under the influence of the development of the requirements of the business environment, on the one hand, and the space of digitised economic information, on the other.

In the business environment of small companies, there is an increasing focus on stakeholders and meeting their information needs to ensure understanding and control of business processes. The demand for non-financial information to improve the quality of management decisions is increasing. The list of accounting items is expanding; the use of intangible assets, capital and liabilities is becoming more widespread. In addition, the nature of the activity of small enterprises requires simpler accounting methods, valuation methods, simplification of documentation, reporting, partial rejection of double-entry accounting, etc. Thus, simple and simplified forms of accounting are created.

The Internet of Things, electronic payment transaction recorders, internet banking tools, cloud technologies and XBRL technologies make it possible to collect and process information in real time, automatically apply more complex calculations for evaluation and costing, receive calculation indicators immediately before reporting, which eliminates the need for further adjustments. Accounting is a constituent element of the space of digitised economic information, which ensures its manageability. In addition, the profession of an accountant is interpreted as professional work in the field of economic information to ensure its comprehensibility and manageability.

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