

# EXPERIENCE IN ACCOUNTING FOR FOREIGN ECONOMIC ACTIVITY IN UKRAINE'S PARTNER COUNTRIES

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**Abstract.** The *purpose* of the article is to study and generalise developments in accounting and control of foreign economic activity in countries with which Ukraine has the closest economic ties. *Methodology.* The statistical method and the ranking method were utilised to ascertain the largest partner countries of Ukraine. To display the ranking results, a graphical method was employed. In order to describe the accounting and control systems of different countries, a monographic method, methods of analysis and synthesis were used. In order to provide a synopsis of the experience of accounting and control of foreign economic activity in different countries, a comparison and generalisation method was employed. *Results.* The results of the analysis of world experience have demonstrated that the general features of accounting and control of foreign economic activity in Ukraine's partner countries in foreign trade can be categorised into five aspects. Firstly, harmonisation with International Financial Reporting Standards is imperative for attracting countries to the global economy, international trade markets, resources, labour and capital markets. Secondly, the utilisation of accounting mechanisms to address exchange rate fluctuations is imperative, particularly in contexts involving diverse currency types prevalent in foreign trade transactions. Thirdly, it is evident that third countries establish their own customs and tax regulations for imports and exports, which are based on economic and political interests. This necessitates the implementation of separate accounting procedures for the reflection of relevant operations and payments, and the allocation of these to corresponding expense accounts. Fourthly, the regulation of foreign economic activity is centred on transfer pricing, the disclosure of information regarding controlled foreign companies, and transactions in offshore zones. Fifthly, a pivotal element is digitalisation, encompassing the implementation and utilisation of the XBRL Taxonomy. *Practical implications.* It was determined that economic entities engaged in foreign economic activity should develop an accounting policy. This policy should address the application of IFRS, exchange rate differences, taxation, transfer pricing, and the digitalisation of accounting. State authorities are obliged to establish pragmatic conditions – ranging from legislative regulation to the operations of local authorities – that would contribute to the development of accounting and control in the five areas indicated. *Value/Originality.* Following a thorough evaluation of the accounting and control systems employed in Ukraine's partner countries in relation to foreign economic activity, key areas for the enhancement of the Ukrainian system have been identified. This will enhance the effectiveness of international economic co-operation.

**Keywords:** accounting, foreign economic activity, foreign exchange, International Financial Reporting Standards, transfer pricing.

**JEL Classification** M40, F10, F31, D40

## 1. Introduction

In order to facilitate the establishment of international value chains, it is imperative to facilitate the exchange of economic information between states, economic entities, and to coordinate the rules of interaction. Furthermore, there is a necessity to adopt unified approaches to documentation, accounting,

and taxation. Research and comparison of accounting and control systems between partner countries with regard to foreign economic activity may have a positive impact on the development of economic relations between their economic entities. Such research could facilitate the coordination and harmonisation of accounting, the elimination of contradictions in

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economic data, the prevention of double taxation, the counteraction of economic crimes and the evasion of fair taxation. The identification of prevalent trends in accounting and control can serve as a foundation for the scientific substantiation of their novel developmental trajectories, which necessitate particular consideration from all economic entities. Consequently, the exploration of global experiences in accounting and control for foreign economic activity is of paramount importance.

The purpose of this article is twofold: firstly, to identify points of contact between the Ukrainian system of accounting and control of foreign economic activity and the systems of Ukraine's partner countries; and secondly, to determine the areas of development of accounting and control of foreign economic activity. The article also seeks to increase the efficiency of international co-operation. The tasks of the article are established based on the declared purpose: to identify the largest partner countries of Ukraine in the field of foreign economic activity; to analyse their experience of accounting and control of foreign economic activity; to find key provisions of accounting and control that contribute to increasing the efficiency of foreign economic activity.

In order to ascertain the largest partner countries of Ukraine, the statistical method and the ranking method were utilised. The presentation of the ranking results was facilitated by the utilisation of a graphical method. In order to describe the accounting and control systems of different countries, a monographic method, methods of analysis and synthesis were used. In order to provide a synopsis of the experience of accounting and control of foreign economic activity in different countries, a comparison and generalisation method was employed.

The provision of accounting services for the development of foreign economic activity is a subject that has been the focus of constant attention from both Ukrainian and foreign scientists. V. Y. Gordopolov (2019) posits that "...ensuring positive dynamics in the economic development of the country, the entry of enterprises into foreign markets should pursue not only their own business goals, but also have a positive impact on the economic, social and environmental component of the development of the country as a whole". I. I. Kononov (2021) advances a congruent position, contending that the foreign economic activity of enterprises should furnish solutions to socio-ecological, economic problems of society through the establishment of appropriate state regulation.

S. V. Mishyna and O. Y. Mishyn emphasise the importance of research into international experience in foreign economic activity, since the development of foreign economic activity is not limited to the formation of an information base, but there is a need

for coordination and analysis of accounting data between different countries (Mishyna, 2022).

## 2. Ukraine's Partners in Foreign Economic Activity

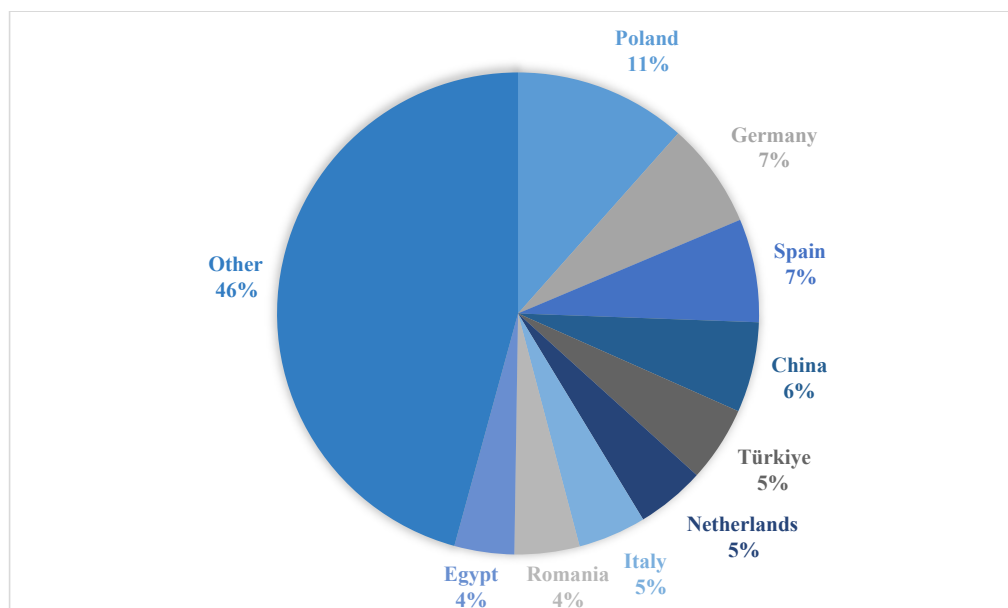
The research commenced with the identification of Ukraine's most significant partners in the realm of foreign economic activity. In order to accomplish this objective, a thorough analysis of the primary export and import sectors of the economy is conducted. Firstly, the geographical structure of Ukraine's exports is considered (see Figure 1).

As illustrated by the diagram on Fig. 1, the countries that acquire the most Ukrainian exports can be divided into distinct fractions. As illustrated in the diagram, Poland is the leading recipient of Ukrainian exports. The entity in question has been responsible for the procurement of 11% of Ukraine's exported products. Germany and Spain, on the other hand, receive slightly less, with 7% allocated to each. The Netherlands, Italy and Romania are also significant importers. It is evident that the relationship between the aforementioned European countries has undergone significant strengthening since 2022. These countries have accepted a significant number of Ukrainian refugees. It is evident that Ukrainian entrepreneurs frequently opt for these countries as destinations for the relocation of their business operations, along with the restructuring of their supply and distribution chains. It is evident that they have emerged as a pivotal factor in the escalated exports from Ukraine. European countries also began to play a significant role after the restrictions on the functioning of Ukrainian ports.

It is evident that countries such as China, Turkey and Egypt have historically been major importers of Ukrainian agricultural products, including but not limited to grains, sunflower oil and livestock products. Among other countries, Ukraine's significant trading partners include India (2.2%), the USA (1.94%), and European countries.

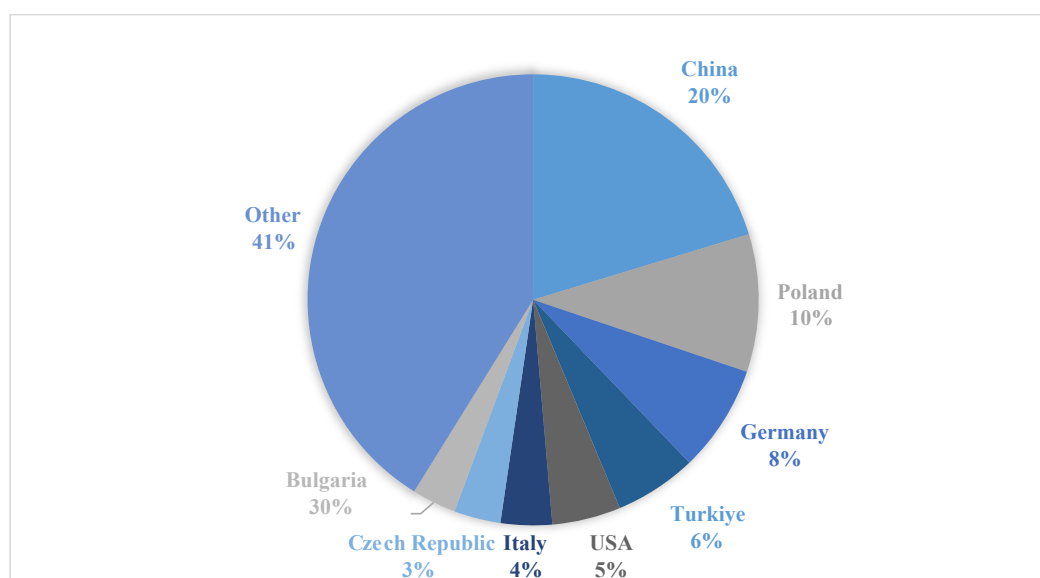
The subsequent stage of the investigation involves an assessment of the geographical structure of Ukraine's imports (see Figure 2).

The graph in Figure 2 shows the largest shares of countries in the structure of imports to Ukraine. The largest share belongs to China - 20%. European countries occupy an important place in the import structure: Poland, Germany, Italy, Czech Republic and Bulgaria. For the past three years they have provided Ukraine with food, energy and technical security, military and medical equipment, and humanitarian aid. Turkey and the USA are important international partners of Ukraine. Foreign economic activity with these countries is conducted on the basis of mutually beneficial co-operation.



**Figure 1. Geographical structure of Ukraine's exports in 2024**

Source: created by the author based on data from National Statistics Service of Ukraine



**Figure 2. Geographical structure of Ukraine's imports in 2024**

Source: created by the author based on data from National Statistics Service of Ukraine

To conclude this section, it is important to summarise the statistical data presented above. This data indicates that the main external economic partners of Ukraine are the countries of the European Union, China, the USA and Turkey. It is incumbent upon Ukrainian foreign economic entities to comply with the requirements of national legislation and the legislation of partner countries in the course of their work. Consequently, there is an urgent necessity for awareness of the accounting procedure for foreign economic activity.

### 3. Accounting for Foreign Economic Activity in Ukraine's Partner Countries

#### 3.1. The European Union's View on Accounting for Foreign Economic Activity

According to EU legislation, foreign economic activity encompasses trade in goods and services, in addition to investment activity and capital movement between Member States and countries outside the EU. The features of accounting for foreign economic activity in the EU are determined by both international standards and regional regulatory documents that

ensure the harmonisation of financial accounting and reporting. The harmonisation of accounting practices within the Member States is achieved through the implementation of International Financial Reporting Standards (IFRS).

A substantial proportion of foreign economic activity is conducted in a foreign currency, necessitating the application of International Financial Reporting Standard (IFRS) 21, entitled "The Effects of Changes in Foreign Exchange Rates". It is imperative that foreign currency transactions are converted into the functional currency of the company at the exchange rate that was in effect at the time of the transaction. Exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of the transaction.

In order to ensure a fair distribution of profits between EU countries, transfer pricing rules are utilised, which are regulated by OECD Transfer Pricing Guidelines. It is incumbent upon companies to ensure transparency in pricing for goods and services sold between related parties.

In consideration of the fact that the European Union constitutes a customs union, the process of accounting for imports and exports within the union is rendered considerably more straightforward. However, it should be noted that trade with third countries requires the accounting for customs duties, value added tax and other charges, which are calculated in accordance with Directive 952/2013. The European Union has a unified tax accounting system for foreign economic activity, in particular for Value Added Tax (VAT). Council Directive 2006/112/EU sets out the procedure for applying VAT in international trade. In addition, the EU has introduced a reverse charge mechanism for certain types of transactions, which avoids double taxation and simplifies accounting between companies. Companies are required to ensure transparency of financial flows to prevent money laundering and tax evasion.

It is imperative to acknowledge the pivotal role of the XBRL Taxonomy in the utilisation of International Standards. It is a set of semantic tools that have gained universal acceptance among participants in the global business environment, state authorities and regulatory bodies. The purpose of the Taxonomy is twofold: firstly, to set out the requirements for economic information – documentation and reporting, common to all entities; and secondly, to regulate the exchange of such information. The classification system is grounded in the extended markup language (XML).

It is evident that the requirements for accounting for foreign economic activity in EU countries are centred on three fundamental principles: transparency, unification and integration in the financial sector. In addition, there is a discrepancy in

the tax regulation of member countries, the rates of duties and taxes, and the regulatory requirements for foreign economic activity entities, which can result in complexity in the work.

### *3.2. Accounting for Foreign Economic Activity in the United States of America*

The United States of America is a global financial centre, and the US economy is distinguished by its high-tech industry. Enterprises are interested in importing resources, attracting highly qualified personnel, scientific and technical co-operation, and technologies. The United States is a net exporter of high-tech products and energy. The accounting system in the USA, particularly with regard to foreign economic activity, is based on a combination of both national and international standards. A distinctive attribute of accounting is its stringent regulation by both the state and professional accounting bodies. This is complemented by a comprehensive and detailed system of accounting legislation. The basis for accounting regulation in the USA is the Generally Accepted Accounting Principles, which are established by the Financial Accounting Standards Board in accordance with the requirements of the US Securities and Exchange Commission. International Financial Reporting Standards (IFRS) may be applied, and are used by international companies as necessary. In accordance with the provisions stipulated in the American Standards Codification system, the subject of foreign economic activity is addressed in the standard under code 830, which is entitled "Foreign Currency Matters" and is situated within the "General Operations" section.

In the USA, as in the European Union and other countries, exchange rate differences in foreign economic activity are recorded. The execution of operations in foreign currencies necessitates the implementation of currency conversion protocols. In accordance with GAAP, foreign currency operations are subject to revaluation at the accounting rate, with exchange rate differences being reflected in the statement of financial results in other comprehensive income, contingent on the nature of the transaction (830 "Foreign Currency Matters").

The US Customs Service operates in a distinct manner. All goods that are exported or imported are subject to declaration. The regulation of customs payments is a matter that falls under the jurisdiction of law (Roberts, 2020). Taxation issues represent a fundamental component of foreign economic activity. Tax authorities are responsible for monitoring the emergence of tax obligations in business entities, paying particular attention to transfer pricing transactions, control over income from foreign subsidiaries, and any agreements that may contribute to tax evasion.

Foreign branches and related parties may be reported in accordance with IFRS. The issue of



convergence and unification of GAAP and IFRS standards is widely discussed in the international business community. A project to converge the two systems was launched in 2006. Converged standards have been issued on a number of accounting issues related to consolidation of reporting, business combinations and fair value. However, the project has not yet achieved its goal, and as a result two sets of standards continue to coexist in the US accounting field. The harmonisation of US standards with IFRS has been demonstrated to be a beneficial measure that fosters foreign investment and facilitates global business operations (Lin, 2024). The digitalisation of foreign economic activity accounting is predicated on the utilisation of the XBRL Taxonomy. The US's accounting system is regarded as a prime example in the field of foreign economic activity accounting, largely due to the robust regulatory framework and innovative approaches that have been implemented.

### 3.3. *China's Example in Accounting for Foreign Economic Activity*

The primary objective of accounting for foreign economic activity in China is to ensure the efficiency of economic relations with external partners. The large-scale production of transnational corporations is concentrated in China, and the country is also experiencing development in its agricultural and industrial production. The Chinese economy is characterised by an export-oriented model. Consequently, a plethora of legislation and standards have been devised to comprehensively regulate foreign economic activity, with a view to taking into account both national characteristics and international requirements.

The People's Republic of China has adopted a Western-style market economic system. In this particular context, in conjunction with the transition of numerous state-owned enterprises into private or joint-stock companies, a nationwide set of accounting standards for China was developed – Accounting Standards for Commercial Enterprises. The content and direction of these financial reports is most consistent with those of Western counterparts, in particular with International Financial Reporting Standards (Zhang, 2025). Foreign economic activities are subject to foreign exchange accounting. Enterprises are obligated to adhere to the exchange rate accounting principles stipulated by the People's Bank of China. As Jiao (2024) demonstrate, foreign currency transactions are converted into yuan at the official exchange rate on the date of the transaction. Exchange rate differences are then recorded as income or expenses.

The tax system for foreign economic activities provides for a number of benefits and features, such as Value Added Tax (VAT) refunds for exporters. Concurrently, importers are obligated to remit

import duties, value-added tax, and assorted fees, in accordance with prevailing customs legislation. All goods imported or exported are subject to mandatory registration and documentary confirmation by customs authorities.

For international companies operating in China, it is possible to prepare reports according to IFRS or GAAP, depending on the agreement between the parties. L. Xie, M. Zhang and S. Zhai note that "...compared to private companies that were not required to immediately comply with the new accounting standards in 2007, listed companies experienced a significant increase in their exports after convergence with IFRS" (Xie L., 2022).

The legislation and practice of foreign economic activity accounting are also subject to transformation under the influence of digitalisation trends and the introduction of artificial intelligence systems. A salient challenge confronting Chinese companies in the realm of foreign economic activity pertains to the high degree of dynamism exhibited by the foreign exchange market, a factor that engenders exchange rate risks. In order to mitigate these risks, companies frequently utilise financial hedging instruments.

### 3.4. *Basic Provisions of Accounting for Foreign Economic Activity in Turkey*

Accounting for foreign economic activity in the Republic of Turkey is generally in line with international standards, which helps to attract foreign investors. However, the process of harmonising national accounting with international requirements is still underway, so the regulatory environment is unstable and changes to accounting legislation are frequently adopted, causing inconvenience to business. In addition, a favourable location, transparency of legislation and features of tax policy make Turkey an attractive partner in the global economy. The Turkish accounting system has been harmonised with international standards. The regulation of accounting for foreign economic activity in Turkey is governed by national legislation and European standards. It is evident that national accounting standards are based on IFRS. The implementation of these standards serves to simplify business processes for international companies, thereby ensuring the comparability and consolidation of financial statements. Since 2005, companies listed on the Istanbul Stock Exchange in Turkey have been required to report their financial statements in accordance with IFRS. Prior to this, all relevant firms were obliged to report their financial statements in accordance with Turkish national standards (Karğın, 2013).

In accordance with Turkish national legislation, residents engaged in foreign economic activities are obliged to maintain records of transactions in the national currency, the Turkish lira, as well as in the currencies specified in the contracts. Exchange

differences are disclosed in financial statements in accordance with national standards.

According to the prevailing Turkish tax legislation, the taxation of imports is a matter of principle, while the exemption from VAT on exports is a matter of exception. Special tax regimes have been developed for free economic zones. All goods imported or exported are subject to declaration, and customs payments are recognised and accounted for in accordance with international agreements under the INCOTERM system (Altundağ, 2023).

It is acknowledged that companies engaged in foreign economic activity are at liberty to prepare financial statements in accordance with either national standards or the standards set out by the IFRS. The Turkish lira demonstrates considerable volatility, with currency fluctuations potentially exerting substantial influence on financial outcomes. Consequently, information regarding currency risks is inherently disclosed in the financial statements of companies engaged in foreign economic activity (Al-Attar, 2020). Operations with international partners are also the subject of special attention on the part of state, tax and customs authorities. A significant trajectory for the advancement of foreign economic activity accounting in Turkey pertains to the digitalisation of accounting for import and export transactions.

#### 4. Findings

In light of the aforementioned points, the key aspects of accounting for foreign economic activity in Ukraine's partner countries in foreign trade can be summarised as follows:

1. The main feature of accounting in the countries under review is harmonisation with International Financial Reporting Standards. This is an indispensable prerequisite for the integration of countries into the global economy, international markets, resources, labour and capital. IFRS will establish harmonised accounting rules in all countries, allow comparability of data and ensure transparency of reporting.

2. A mandatory requirement is the use of foreign currency translation accounting. This is due to the use of different types of currencies in foreign trade transactions. As the world has a system of floating exchange rates, in countries with unstable currencies exchange rate differences can have a significant impact on the company's performance and be an important factor in management decisions. In addition, the disclosure of information about currency risks in reporting is regulated.

3. It is evident that each nation has its own customs and tax regulations for imports and exports, which are subject to economic and political interests.

In order to accurately record and allocate financial transactions and payments, it is imperative to implement distinct accounting procedures.

4. In matters of foreign economic activity controlling, significant attention is paid to transfer pricing issues, disclosure of information about controlled foreign companies, and transactions in offshore zones. These are the areas which present the most significant challenges in terms of the equitable taxation of foreign economic activity.

5. A promising direction for the development of foreign economic activity accounting in the countries under consideration is digitalisation. The XBRL taxonomy has been developed for the purpose of digitising accounting and creating a single international accounting space. This will make documentation and reporting transparent, accessible and understandable to users from other countries. This increases the attractiveness of investment, opportunities for international trade and simplifies the exchange of economic information worldwide.

#### 5. Conclusions

The five aspects enumerated above represent fundamental domains of accounting and control, which are pivotal for the nation's integration into the global economy and the effective operation of enterprises engaged in foreign economic activity. These are designated as "growth points" – the primary domains of development in the fields of accounting science and the control of foreign economic activity. It is imperative that these enterprises and the state as a whole receive dedicated attention in order to facilitate the enhancement of their foreign economic activity.

Companies should keep records and prepare reports in accordance with IFRS. The accounting policy must include provisions for the disclosure of exchange rate differences, their impact on the financial result and methods of hedging currency risks. It is particularly important to deal with customs clearance, customs requirements and the payment of taxes and duties. If the company works with related parties in other countries, it is necessary to develop an accounting policy on transfer pricing. The issues of digitalisation of foreign economic activity, transition to the XBRL format of documentation and reporting, as well as the implementation of achievements in the field of artificial intelligence are currently relevant for enterprises. State authorities are obliged to establish conditions – from legislative regulation to the work of local authorities – that contribute to the development and control of the five areas indicated.

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