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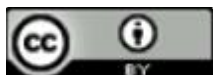
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## SANITATION AUDIT AS A TOOL FOR MANAGING THE FINANCIAL RESULTS OF THE COMPANY

The article deals with the procedure for determining the structure of the financial results of enterprises, search for sources of increasing profits. It is shown that the economic policy of the government leads to the bankruptcy of small and medium-sized businesses, and therefore proposes the use of sanitation audit. In the article the typical mistakes are identified during the audit of revenues and company performance.

**Keywords:** income and financial results, bankruptcy, Improved sanitation audit.



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**Statement of the problem and its connection with important scientific and practical tasks.** Evaluation of the company is carried out on profits, the financial results. Increase of the profitability of a company creates conditions for increasing the revenue of the state and local authorities to develop and improve wages and solutions accumulated with social problems. Unfortunately, in recent years there has been a negative trend - the growth of bankruptcy, deterioration in their financial and economic standing. Audit should help in the prevention of bankruptcies, which allows to avoid the bankruptcy of companies, identify shady schemes and in time to prevent them, improve work efficiency.

**The analysis of the latest publications on the problem.** The study of different aspects of income and financial results of companies engaged in both foreign and domestic scientists-economists. Among them: F. Butynets, N. Demyanenko, G. Kireytssev, L. Napadovska, E. S. Hendriksen, A. A. Adams, J. V. Horn and others. Questions sanitation audit is also considered by V. Nemchenko, V. Khomutenko, I. Blanko, I. Bodiuk, T. Bulovych, M. Kolysnyk, L. Kulakovska, L. Lypych, O.

Tereshchenko, O. Khryniuk, A. Cherep and others.

In the context of a systemic crisis in the country funding opportunities and support for small and medium-sized businesses have been limited, which leads to the deterioration in profitability of companies and the growth of bankruptcies, shadow economy. All this requires more research, the use of which would improve the financial results.

**Forming of the aims of the research.** The aim of the article is to study the causes of loss of small and medium-sized businesses. The different approaches to determining financial results, proposed concrete ways to improve them, the necessity of sanitation audit.

**Giving an account of the main results and their substantiation.** In a market economy, an important role is played by the company, the financial condition of which depends on the results of its industrial, commercial and financial activities. Financial reporting is the main source of information for analysis.

Today, there are three approaches to defining the content of the financial results, namely, economic, accounting and management.

The economic approach involves:

- the final result of the activity;
- the main result of the motive of the company;
- economic result;
- income from economic resources;
- increase in net assets;
- remuneration which is granted to owners of the factors of production;
- changes in equity during the period;
- added value from operations.

The management approach is characterized by such aspects:

- the final result of production and economic and financial activities;
- the difference between profit margins and fixed costs;
- the purpose of business transactions and business companies;

Accounting approach involves:

- residue after the payment to owners of all factors of production;
- the difference between the receipts from the sale of products and the alternative cost;
- Gross revenue less costs to attract resources with regard to their alternative cost;
- comparison of revenues and expenses of the reporting period (profit, loss, zero-result).
- Determining of taxable profits.

Each of them is characterized by its own interpretation of the nature of the financial results shown in the method of their determination, determines the target orientation and the need for user data [4, p. 6]. According to the economic approach, the financial results reflect the efficient use of economic resources and capital of the company. The accounting approach is the actual registration and comparison of revenues and expenses for the formation of financial results of the reporting period. Management approach provides an estimate of the effectiveness of management within departments, products and companies in general. This has allowed to characterize the financial results from the perspective of understanding the economic substance of the order form, the focus and effectiveness of management decisions. The synthesis of economic, accounting and management approaches provide an objective description of the concept of "financial results".

The lack of a uniform interpretation of this concept led to the need to clarify. Financial results - this accounting category, which is formed on the basis of a comparison of revenues and expenses of the reporting period to determine derived values (profit, loss, zero result) characterizing the performance of the company. The proposed definition reflects the substance, the essence and form of manifestation of the financial results, as specified category serves to generalize the results by which the formation of performance indicators are determined.

The concept of "profit" is regarded as a category, which combines the positive value of the financial result and increase of the company's own capital as a result of effective economic activities and effective management

decisions. This definition provides an understanding of this concept as a synthesis of a productive indicator of economic activity of the company and reflects the changes in shareholders' equity as a result of the activities [4, p.6-7].

Thus, the profit - is:

- the main goal of entrepreneurial activity;
- base for the development of both the state and the regions of the country, which is especially important in the context of financial decentralization;
- source to meet the social needs of the society;
- the source of enterprise development;
- guarantor of performing its obligations to the state and debtors.

Under these conditions, an important role should be given to the search for reserves to increase profits. It is well known that the increase in profit reserves are:

- increase the volume of sales of products and higher prices for it;
- cost reduction;
- improvement in the quality of commercial products;
- Search of more profitable markets;
- implementation at the optimum time.

Unfortunately, the reserves of increase in profit companies, and especially agricultural sector are limited. World market prices for raw materials are low, the quality do not always meet international standards. The increase in production volume can not be achieved because farmers are short of money, and get a loan because of high interest is not possible. Cancelling of simplified tax system for small and medium-sized businesses and the provision of government subsidies from the budget, primarily large agricultural holdings leads to the reduction and closure of production, higher prices for goods and services. Moreover, a kind of "tax" appears and the minimum wage in 3200 hryvnia. [10] The company has no revenue and the payment of the minimum wage leads to unprofitability and bankruptcy. Do not promote the growth of profitability, the survival of companies and the increase in energy prices (especially in the sugar industry), raider grabs and corruption. Therefore, in early 2017 the number of bankruptcies of small and medium-sized businesses has increased dramatically. The result is a threat to carrying out of fiscal decentralization reforms. After the implementation of social programs enormous resources are required, both in public and in the local budget. So as these means are not present, the living standards of the population of Ukraine will continue to fall. In these circumstances, the role of rehabilitation - the financial and economic measures in the company for its improvement and conducting the sanitation audit.

Improved sanitation audit - this is one of the tools to reduce level risk information to investors, creditors and other persons involved in the financial rehabilitation of insolvent companies to an acceptable [2, p.264-265]. Customers of sanitation enterprise audit,

which is experiencing a financial crisis can be [2, p.264-265]:

- current and potential owners of corporate rights of the company, if it is decided to increase the authorized capital;
- underwriters (financial intermediaries) - if you solve the problem of the repayment of the corporate rights of the new issue;
- the lender (eg bank consortium) - if you solve the problem of providing sanation credit;
- the company itself - if it comes out with a proposal to conclude settlement agreement and of the readjustment in the production of the bankruptcy proceedings;
- the potential of the sanatorium - if addressed the issue of reorganization of the company through its reorganization (merger, takeover)
- government bodies - when solved the issue of the provision of company sanation of state support.

Customers give instructions to the auditor to carry out the economic and legal expertise sanation concepts and draw a conclusion about the advisability of investing in the rehabilitation facility.

Improved sanitation audit can be viewed as a tool for reducing to an acceptable level of risk information to investors, creditors and other persons involved in the financial rehabilitation of insolvent companies.

The main criterion for the decision on reorganization or liquidation of the company is its sanitation ability, which is determined by the viability of the company. Improved sanitation ability - is the presence of financial, organizational, technical and legal capacity necessary for the success of its financial rehabilitation of the company which is experiencing a financial crisis. Common premises sanation ability is the presence of an effective company sanation concepts and potential for success in the future [2, p.264-265].

It should be noted that the financial results depend on the industry. Thus, the downward trend in sugar beet processing capacity, the discontinuation of the sugar mills in the non-integrated agricultural holdings (due to lack of opportunity loss compensation), as well as the constant growth of sugar cost and unprofitable production justify its need to improve the accounting and settlement of financial results (Table 1).

Table 1

**The economic substantiation for improving accounting and the calculation of the financial performance of the sugar industry [1, p.7–8]**

number s / n	year	Cost of cultivation of sugar beet 1t, UAH	The production cost of 1 ton of sugar, thousand UAH	Selling price of 1 ton of sugar beet, UAH	Selling price of 1 ton of sugar, thousand UAH	Profitability of sugar beet, %	The profitability of sugar production, %
1	2009	305,2	5,50	418,8	4,61	37,0	2,3
2	2010	417,6	6,93	487,3	5,68	16,7	3,2
3	2011	380,4	6,85	519,2	6,10	36,5	-3,0
4	2012	387,2	6,85	430,0	5,25	13,6	-15,0
5	2013	371,5	6,30	443,9	6,00	15,7	–
% Change 2009 to 2013 year		+ 82%	+ 87%	+ 94,3%	+ 77%	-21,3%	- 17,3%

In the course of studies of the activity of the companies of the sugar industry main technological and organizational factors have been underlined that influence the identification and registration of financial results:

- the seasonal nature of the production of the industry that use sugar beet as raw material; continuity and complexity of the manufacturing process;
- specialization and high material consumption of production; Depending on the volume of raw material billet (sugar beet), the quality and storage conditions; availability of support and service industries;
- producing if related products, the production of which technologically accompanies receiving sugar (beet

pulp, molasses), tolling scheme of processing of sugar beet and others.

In this connection, the necessity of improving the information system of accounting, which would allow proper capturing, managing, analyzing and forecasting financial results [1, p.7 – 8]

Thus, an important role in verifying income and financial results of the company must belong to audit companies. Typical errors that can be detected by the auditor during the audit of revenues and financial results of the company-customer, include:

- failure to comply with the requirements of

NP (S) BU 1 "General requirements for the financial statements" [8] on the recognition and adjustment of revenue from the sale of goods (works, services), as well as income from financing and investing activities, other and extraordinary income;

- misclassification of revenue by activity of the company;

- revenues are recognized in the period in which they actually took place;

- revenue recognition occurred without a simultaneous increase in assets and decrease in liabilities;

- incorrect assessment of income;

Erroneous recognition of revenues from:

- the amount of tax on value added tax, excise duties, other taxes and obligatory payments to be transferred to the budget and extrabudgetary funds;

- the amount of the advance payment products (goods, works, services); the amount of the advance payment in respect of goods (works, services);

- the deposit on bail or in loan repayment if it is provided by the relevant agreement; revenues belonging to other persons;

- proceeds from the initial public offering of securities;

- failure to comply with all the requirements of IAS 18, that is only a partial their implementation [9];

- inconsistency of the synthetic and analytical account of income data;

- recognition of the amount of income wrongfully adjusted by the amount of doubtful and bad debts, which should be attributed to the costs of the company;

- the inclusion of exceptional items amounts of fines levied by the tax authorities;

- Incorrect mail accounts in the reflection of income and expenses;

- incorrect determination of cost of sales;

- if it is impossible to reliably determine the value of its income, its amount is reflected in the account which does not correspond to the size of certain reimbursable expenses;

- recognition of finance income target is not in the period in which the costs were made relating to the implementation of the conditions of its implementation, or in the period of the related target financing facilities;

- undue recognition or non-recognition of income from interest, royalties, dividends, assessed using the company's assets by other parties, and incorrect evaluation;

- accounting for income not received or receivable;

- improper revenue recognition for barter transactions;

- in the notes to the financial statements information about the entity's accounting policy for recognition of income, the definition of the financial result, the distribution of profits is disclosed; income distribution method for each group revenues; the amount of revenue from barter transactions as part of each income group; the share of revenues from barter contracts with related parties;

- discrepancy amounts specified in primary documents being the basis of income;

- improper execution or lack of contracts, which served as the basis for shipment and revenue recognition;

- Incorrect mail accounts in accounting for revenues and financial results;

- incomes not belonging to the company are reflected;

- recording of gains arising from the use of fictitious invoices for nonexistent clients or fictitious, subsistence operations [3, p.184 – 185].

The auditor should not only avoid mistakes, and find them, but also help the company to avoid financial losses due to the sanctions applied by the tax authorities due to improper charging and delays in payments to the budget of income tax. In this regard, the auditor should carefully check the accuracy of the relevant deductions for income tax in the budget and timeliness of their transfers, in accordance with the current legislation [5, s.432].

**Conclusions and prospects of the further investigations.** There are different approaches to the definition of the enterprise financial performance. Profit is a general indicator of economic activity of company. The deterioration of the economy in the country, ill-conceived economic policies of the state contributes to the growth of business bankruptcies and shadowing. That is why there is a need sanation audit which will assess the financial performance of company and take measures for their rehabilitation (liquidation, privatization, association, or other concessional lending). At the same time, measures will be effective, if the reform will take place in all sectors of the economy, including the agricultural sector, the banking sector, the establishment of an innovative model of development of the country. At the same time the typical errors that may occur during the auditare showed. The audit is to prevent the damage from illegal activities, corruption schemes.

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## САНАЦИОННЫЙ АУДИТ КАК ИНСТРУМЕНТ УПРАВЛЕНИЯ ФИНАНСОВИМИ РЕЗУЛЬТАТАМИ ДЕЯТЕЛЬНОСТИ ПРЕДПРИЯТИЯ

Существуют различные подходы к определению финансовых результатов предприятия. Прибыль является обобщающим показателем хозяйственной деятельности предприятий. Ухудшение состояния народного хозяйства в стране, непродуманная экономическая политика государства способствует росту банкротств и тенизации бизнеса. Вот почему возникает необходимость санационного аудита, который позволит оценить финансовые результаты предприятий и предпринять меры по их оздоровлению (ликвидации, приватизации, объединению, льготному кредитованию или другие). Вместе с тем, меры станут эффективны, если будет происходить реформирование экономики во всех отраслях, включая агропромышленный комплекс, банковскую сферу, становление инновационной модели развития страны. В статье приведены типичные ошибки, которые могут быть выявлены в ходе проведения аудита. Аудит должен предотвратить ущерб от противозаконной деятельности, коррупционных схем.

**Ключевые слова:** доходы и финансовые результаты, банкротство, санационный аудит.

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## САНАЦІЙНИЙ АУДИТ ЯК ІНСТРУМЕНТ УПРАВЛІННЯ ФІНАНСОВИМИ РЕЗУЛЬТАТАМИ ДІЯЛЬНОСТІ ПІДПРИЄМСТВ

Існують різні підходи до визначення фінансових результатів підприємства. Прибуток є узагальнюючим показником господарської діяльності підприємств. Погіршення стану народного господарства в країні, непродумана економічна політика держави сприяє зростанню банкрутств і тінізації бізнесу. Ось чому, виникає необхідність санаційного аудиту, який дозволить оцінити фінансові результати підприємств та вжити заходів щодо їх оздоровлення (ліквідації, приватизації, об'єднанню, пільгового кредитування або інші). Разом з тим, заходи стануть ефективними, якщо буде відбуватися реформування економіки у всіх галузях, включаючи агропромисловий комплекс, банківську сферу, становлення інноваційної моделі розвитку країни. У статті наведені типові помилки, які можуть бути допущені в ході аудиту. Аудит повинен запобігти збитку від протизаконної діяльності, корупційних схем.

**Ключові слова:** доходи і фінансові результати, банкрутство, санаційний аудит.

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