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## DEPRECIATION POLICY OF THE ENTERPRISES: ACCOUNTING OF FACTORS IN CASE OF THE METHOD CHOICE

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*Сааджан В.А. Амортизаційна політика підприємства: облік факторів при виборі методу.*

На основі оцінки грошових потоків амортизаційних відрахувань та їх капіталізації здійснено рейтинг методів розрахунку амортизації. Відокремлені фактори які мають вплив на формування амортизаційної політики підприємства. Під час дослідження виявлено найбільш значимі фактори при виборі методу розрахунку амортизації, до яких відносяться: розвиток науково-технічного прогресу, техніко-організаційний рівень експлуатації основних засобів, життєвий цикл продукції та її обсяги, капіталізація амортизації.

*Ключові слова:* амортизація, дисконтування, капіталізація, методи, оцінка, рейтинг, фактори

*Saadzhan V.A. Amortization policy of the enterprises: accounting of factors in case of the method choice.*

На основе оценки денежных потоков амортизационных отчислений и их капитализации проведен рейтинг методов расчета амортизации. Выделены факторы, влияющие на формирование амортизационной политики предприятия. В ходе исследования выявлены наиболее значимые факторы при выборе метода расчета амортизации, к которым относятся: развитие научно-технического прогресса, технико-организационный уровень эксплуатации основных средств, жизненный цикл продукции, ее объемы, капитализация амортизации.

*Ключевые слова:* амортизация, дисконтирование, капитализация, методы, оценка, рейтинг, факторы

*Saadzhan V.A. Depreciation policy of the enterprises: accounting of factors in case of the method choice.*

On the basis of assessment of cash flows of the depreciation charges and their capitalisation the rating of methods of calculation of depreciation is carried out. The factors which influence on forming of depreciation enterprise policy were allocated. During the research the most significant factors in case of the method choice of depreciation calculation were revealed which treat: development of scientific and technical progress, technical organisational level of property operation, product lifecycle, its amounts, depreciation capitalisation.

*Keywords:* depreciation, discounting, capitalisation, methods, evaluation, ranking, factors

The considerable number of researches and publications is devoted to depreciation policy. It should be noted works of such local and foreign scientists as: Batishcheva F., Belov V., Bondarenko I., Velsh Gden A., Holova S., Gubacheva O., Ivanov Yu., Orlov P., Sokolov M., Chumachenko N., Short Daniel G. and others. Depreciation is a special source of financing which belongs to production costs, tax-exempt on profit, and performing function of fixed assets reproduction, and in case of possible accumulating of financial resources amount which exceed their simple updating, it is a source of investing programs [1]. Effectively created depreciation policy of the enterprises as showed experience of developed countries, provides their economic development. Researches allowed revealing that the investing activities of the enterprises considerably depend on the amounts of financing which are created first of all due to self-financing (accumulating of depreciation and a part of a net profit).

Depreciation is considered as a source of simple reproduction of fixed assets and is one of the most important components of management of financial flows for technical-technology enterprise development which is carried out for the purpose of increase in competitiveness, both products, and the enterprise in general. In the course of the researches compliance and differences in depreciation financial and tax accounting policy were revealed, positive shifts in rapprochement of a possibility of development of single depreciation policy in financial and tax accounting of the enterprise are revealed [2].

### Unsolved aspects of the problem

Despite a certain exhaustion of the problems arising when forming depreciation policy at the level of local enterprise and its regulation from the state the taxation there are certain aspects for each separately taken enterprise, such as:

- establishment of useful term of use (establishment of the minimum term according to TCU or independently, considering various factors exerting impact on a useful life of a fixed asset object, reducing or increasing fixed term in tax accounting);
- the choice of a method of calculation of depreciation, from the list legislatively permitted in Ukraine (rectilinear, reduction of residual cost,

the accelerated reduction of residual cost, cumulative, production) in TCU, and for accounting for a specific fixed asset object. These aspects require carrying out further researches.

Thus, despite considerable number and ponderability of works in forming field of depreciation policy, there is number of the aspects connected with a possibility of depreciation accumulating and its use as an effective source for implementation of the enterprise investing activities in modern economic conditions [2].

*The aim of the article is the research and identification of the factors influencing forming of depreciation the enterprise policy.*

### The main part

The legislation of Ukraine provided five calculation methods of the depreciation allocations [4-6]. Determination of rating of calculation methods of fixed assets depreciation allocations (on an example – machines and the equipment) is provided in table 1.

Table 1. The rating of depreciation calculation methods depending on rate of write-off of initial book value of a fixed assets (calculation is carried out from each 1000 UAH, for machines and the equipment with a useful life – 5 years (established according to TCU))

Depreciation calculation methods	The depreciation charges from each 1000 UAH of cost of fixed assets UAH.					% write-offs of depreciable cost of fixed assets					R A T I N G
	Years					in the 1st year	in the 2nd/ for 2 years	in the 3rd/ for 3 years	in the 4th/ for 4 years	in the 5th/ for 5 years	
	1st	2nd	3rd	4th	5th						
Rectilinear	200.0	200.0	200.0	200.0	200.0	20.0	20.0/40.0	20.0/60.0	20.0/80	20/100	4
Reduction of residual cost	419.1	259.4	160.6	99.4	61.5	41.9	25.9/67.8	16.06/83.9	9.94/93.85	6.15/100	2
Accelerated reduction of residual cost	440.0	264.0	158.4	95.0	42.6	44.0	26.4/70.4	15.84/86.2	9.5/95.74	4.26/100	1
Cumulative	333.3	266.7	200.0	133.3	66.7	33.3	26.67/60.0	20.0/80.0	13.3/93.3	6.67/100	3
Production	It isn't calculated because of features of calculation										

Source: Own elaboration

The carried-out calculations allowed establishing the rating of calculation methods of the depreciation charges, depending on cost recovery rate of fixed assets, in such sequence:

- the accelerated reduction of residual cost (compensation for 3 years of operation and write-off of fixed assets on cost value constituted 86.2%);
- reduction of residual cost (compensation for 3 years of operation and write-off of fixed assets on cost value constituted nearly 83.9%);
- cumulative (compensation for 3 years of operation and write-off of fixed assets on cost value constituted 80.0%);
- rectilinear (compensation for 3 years of operation and write-off of fixed assets on cost value constituted 60%);

The rating of a production method of the depreciation charges calculation isn't exposed in connection with a special method of calculation, depending on the planned and actual amount of production (productive activity of the enterprise and a possibility of necessary indicators determination for calculation for the planned period).

Considerable regulations in case of application of the accelerated depreciation calculation methods and therefore the amounts of the depreciation charges, and also the useful life (established according to TCU – 5 years for the considered category of fixed assets – machines and the equipment), promote growth of product cost (especially in the first year) and to profit

reduction (in case of constant prices in the conditions of the high competition and an insignificant market share) in the first three operation years, but such high depreciation rates:

- first, provide acceleration of investments return;
- secondly, allow, in the conditions of a technical equipment obsolescence in a result of the increasing NTP rates, to accelerate processes of updating of the production device on the changing technical and technological basis;
- thirdly, fixed term of useful use can provide possible disposal of the worn-out equipment before need of carrying out capital or other costly repairs that will allow to save a money.
- in the fourth, owing to coordination of the chosen accelerated method in accounting and fiscal accounting expenses at the expense of considerable depreciation amounts in 1-3 year of operation of fixed assets increase and at the same time an object of a taxable profit and respectively the income tax decreases (especially in the first year) that allows to increase a net profit by the reduced part of the income tax.

According to the current legislation in TCU, the depreciation charges calculated depending on the chosen method and minimum fixed terms of calculation of fixed asset depreciation aren't assessed with the income tax that allows determining depending on a rate of the income tax the amount of reduction of the income tax depending on the applied depreciation calculation method. Therefore the

following step, in case of the choice of calculation method of fixed asset depreciation, is forming of the amounts of self-financing (the depreciation and a net

profit formed due to reduction of the income tax) depending on a year of the established useful use of a fixed asset (tab. 2).

Table 2. The cash flow determination (the depreciation and the amount reducing the income tax) from each 1000 UAH, for machines and the equipment with a useful life – 5 years (established according to TCU) in case of various calculation methods of the depreciation charges

Depreciation calculation methods	The amount reducing the income tax at the expense of the joint-stock company (in case of a tax rate – 16%) from each 1000 UAH					Sum T = 5, UAH	Cash flows (the depreciation and the amount reducing the income tax) / % in a year/% of accumulating by years					AO in T = 5 years, UAH
	Years						Years					
	1st	2nd	3rd	4th	5th		1st	2nd	3rd	4th	5th	
Rectilinear: — UAH — in % — % of accumulation	32	32	32	32	32	160.0	232/ 23.2 23.2	232/ 23.2/ 46.4	232/ 23.2/ 69.6	232/ 23.2/ 92.8	232/ 23.2/ 116	1160
Reduction of residual cost: — UAH — in % — % of accumulation	67	41	25.7	15.9	9.8	159.4	486/ 48.6 48.6	301/ 30.1/ 78.7	186/ 18.6/ 97.3	115/ 11.5/ 108.8	71/ 7.1/ 115.9	1159
Accelerated reduction of residual cost: — UAH — in % — % of accumulation	70.4	42.2	25.3	15.2	6.8	159.9	510/ 51.0 51.0	306/ 30.6/ 81.6	183/ 18.3/ 99.9	110/ 11.0/ 110.9	49/ 4.9/ 115.8	1158
Cumulative: — UAH — in % — % of accumulation	53.3	42.7	32.0	21.3	10.7	160	386/ 38.6 38.6	309/ 30.9/ 69.5	232/ 23.2/ 92.7	154/ 15.4/ 108.1	77/ 7.7/ 115.8	1158

Source: *Own elaboration*

Thus, the self-financing amount for the depreciation account and the money formed due to reduction of the income tax in five years in case of various depreciation calculation methods practically has the same size of 1158-1160 UAH. Deviations in 1-2 UAH, depending on a method of depreciation calculation, are connected with roundings in calculations. Thus, from each 1000 UAH of depreciable cost 1160 UAH within 5 years returns by means of the depreciation and the amount reducing the income tax that it exceeds depreciable cost on 160 UAH at the expense of the operating taxation system (in calculations the rate of the income tax is 16%).

However, it should be noted that despite the identical amount of 1160 UAH received in five years (depreciable cost taking into account the amount of reduction of the income tax) independently of a depreciation calculation method, renewal period of the invested money in a fixed asset is various. So the renewal period of the invested money in the fixed asset is:

- 4.3 years at the rectilinear
- 3.2 years at the reduction of residual cost
- 3 years at the accelerated reduction of residual cost
- 3.5 years at the cumulative

The received results testify to favourable renewal periods of the invested money in fixed assets in case of application of any provided calculation methods of

the depreciation charges (renewal periods are less established 5 years of useful use).

For specification and confirmation of the received results assessment of cash flows by means of NPV at various discount rates was carried out –  $i = 24, 12, 6\%$  (tab. 3).

Assessment of cash flows confirmed prior conclusions about the most preferable method of depreciation calculation - the accelerated reduction of residual cost.

Comparison of calculations options of NPV to various discounts (24%, 12%, 6%) allow to reveal influence of inflationary tendencies on opportunities to perform technical development of the enterprises due to the depreciation charges and a money which are formed due to reduction of the income tax:

- in case of discounts (the range of 12-24%) and the discounting coefficients corresponding to them, independently of method of depreciation calculation, NPV is negative, in such conditions implementation of plans of technical enterprise development (simple reproduction of fixed assets) only due to self-financing is almost not feasible;
- at smaller discount – for example 6%, NPV is more than zero in the calculations which are carried out by means of the accelerated reduction of residual cost, reduction of residual cost and cumulative methods. At a rectilinear method this indicator is negative also at such low discount.

Table 3. Assessment of cash flows

Depreciation calculation methods	The expected cash flows					Discounting of cash flows (DCF)					DCF sum	NPV
	Years					Years						
	1st	2nd	3rd	4th	5th	1st	2nd	3rd	4th	5th		
Rectilinear: — i = 24%	232	232	232	232	232	187	151	122	98	79	637 836 977	-363 -208 -23
— i = 12%						201	185	165	147	132		
— i = 6%						219	206	195	184	173		
Reduction of residual cost: — i = 24%	486	301	186	115	71						759 919 1026	-241 -81 26
— i = 12%						392	196	98	49	24		
— i = 6%						434	240	132	73	40		
Accelerated reduction of residual cost: — i = 24%	510	306	183	110	49						770 927 1030	-230 -73 30
— i = 12%						411	199	96	47	17		
— i = 6%						455	244	130	70	28		
Cumulative: — i = 24%	386	309	232	154	77	311	201	122	65	26	725 897 1013	-275 -103 13
— i = 12%						344	246	165	98	44		
— i = 6%						364	275	195	122	57		

Source: Own elaboration

In practice of foreign countries interest rates are rather low (3-7%), whereas in Ukraine, as a result of influence of various factors, these rates rather are high that influences on investment opportunities of the enterprises and, as a result, not compliance of their technical-technological level to modern scientific-technical progress that doesn't allow to turn out high-quality, competitive products.

The following stage in case of management (optimisation) of depreciation enterprise policy are researches in the field of capitalisation of the added depreciation charges taking into account the money formed due to income tax reduction. Cash flows capitalisation and their accumulating when using various calculation methods of the depreciation charges is provided in tab. 4.

Table 4. Forming and the analysis of funds accumulation as a result of depreciation charges capitalisation from each 1000 UAH of depreciable cost and a money formed due to income tax reduction (T=5 years).

Depreciation calculation methods	Funds accumulation (FA) as a result of capitalisation					depreciation charges where T=5 years, UAH	as far as AO < FA -		FV 1000 T=5 years	as far as FA < FV-		as far as FA < FV	
	years						UAH.	%		UAH.	%	UAH.	%
	1st	2nd	3rd	4th	5th								
Rectilinear: — i = 24%	232	520	876	1318	1867	1160	-707	-38	2931	-1064	-36	-1771	-60
— i = 12%	232	492	783	1109	1474		-314	-21	1762	-288	-16	-602	-34
Reduction of residual cost: — i = 24%	486	903	1306	1735	2222	1159	-1063	-48	2931	-709	-24	-1772	-60
— i = 12%	486	845	1133	1383	1621		462	-28	1762	-141	-8	-603	-34
Accelerated reduction of residual cost: — i = 24%	510	938	1346	1780	2256	1158	-1098	-49	2931	-675	-23	-1773	-60
— i = 12%	510	877	1165	1415	1634		475	-29	1762	-128	-7	-604	-34
Cumulative: — i = 24%	386	787	1208	1653	2126	1158	-968	-45	2931	-805	-27	-1773	-60
— i = 12%	386	741	1062	1344	1582		-424	-27	1762	-180	-10	-604	-34

Source: Own elaboration

The carried-out calculations allowed revealing:  
— first, funds accumulation as a result of capitalisation of the depreciation charges from each 1000 UAH of depreciable cost and a money formed due to income tax reduction provide an additional income. The size of the income depends on the choice of a method of depreciation calculation and a deposit interest (when the depreciation calculation is applied reduction of

residual cost method and use of the deposit under 24% funds accumulation will bring in to 48% of an additional income within five years (in case of 12% the deposit – 28%), at the same time the rectilinear method will provide only 38% of an additional income (in case of 12% the deposit of is 21%) that is 10% less (in case of 12% the deposit - 7% of a margin);

— secondly, if funds accumulation as a result of capitalisation of amortisation provides an additional income, then the increased money (FV-PV) received from the deposit amount equivalent to investments into fixed assets can bring in the bigger income. So when comparing funds accumulation by means of depreciation capitalisation calculated by method of reduction of residual cost and a possible investment of contribution in the amount of 1000 UAH on the deposit for 5 years under 24% it is possible to gain an additional income in the amount of 709 UAH, there correspond 24%, and in case of a rectilinear method the difference will constitute 1064 UAH or 36%.

The received results can be considered when pricing, in particular, in case of establishment of products profitability. In that case it is necessary to include in profitability not only percent of the income on which expects the enterprise, but also percent investments.

It should be noted that in case of the choice and return of preference this or that method of depreciation charges calculation it is necessary to consider a number of the factors influencing on this management decision. In the course of the researches factors which influence on forming of depreciation enterprise policy and, in particular, at choice of a method of depreciation charges calculation were revealed (tab. 5).

Table 5. The factors influencing on forming of depreciation enterprise policy

Groups of factors 1	Elements 2	Influence of a factor on: 3
1. State depreciation policy	Regulation and control of process of a fixed assets reproduction and forming of an object of a taxable profit	Net profit
2. Type of enterprise activity	Production: a) production: — mass; — large-scale; — series; — single b) Products: — mining industry; — machine-building industry; — chemical industry; — light industry; — food industry 2.2. Commercial: a) size of the enterprise: — hypermarket; — supermarket; — minimarket; — outlets b) products: — materials and supplies; — machines and equipment; — trucking facilities; — household appliances; — clothes; — food; — household chemicals c) amount of sales: — wholesale; — small wholesale; — retail 2.3 The rendered services and the performed works: a) types: — medical services; — insurance services; — banking services; — legal services; — tourist services: — services in the real estate; — construction works b) rendering services (works): — group; — individual	2.1. Forming of the cost value made products  2.2. Forming of distribution costs of products  2.3. Forming of cost value of service
	3.1. Frequency of emergence of new types of fixed assets 3.2 Convertibility frequency of characteristics and parameters of the existing types of fixed assets 3.3. Frequency of the change in price for fixed assets	Forming of cost value of the made products taking into account obsolescence
4. Technical organisational level of operation of fixed assets (TOLOFA)	4.1. Support level of technical and operational conditions 4.2. Timeliness of ensuring preventive and repair works 4.3. Professional level of staff qualification	Forming of cost value of the made products taking into account repair components
5. Natural impacts	5.1. Security from natural impacts	Physical deterioration



Continuation of table 5

1	2	3
6. Products	6.1. Lifecycle of products: — origin; — jump in production; — peak; — regression; 6.2. Innovation of products: — innovative; — not innovative 6.3. Demand and supply (release amounts)	Formation: cost value, pricing
7. Provision of the enterprise in the market	7.1. Competition availability: — high; — average; — low — enterprise-monopolist 7.2. Market share: — considerable (essential); — not considerable (not essential) 7.3. Enterprise size: — small; — medium; — large	Formation: cost value, pricing
8. Capitalisation of depreciation	8.1. Inflation level 8.2. Level of the income 8.3. Currency rate 8.4. % deposit rates 8.5. Discount 8.6. Capitalisation period	Financial opportunities

Source: Own elaboration

Factors which influence on forming of depreciation enterprise policy are grouped in eight groups.

The first group of factors are the factors created by the state depreciation policy which purpose is regulation and control of reproduction process of fixed assets and forming of an object of a taxable profit that influences the size of enterprise net profit;

The second group is a type of enterprise activity. The type of enterprise activity can be production, commercial or performing works or rendering services. In case of the choice of a depreciation calculation method it is necessary to consider various elements characterizing this or that type of activity. So, for example, for production enterprise it is necessary to consider not only a type of production - mass, large-series; serial or single, but also to what industry the products belong - the mining industry, a machine-building industry, the chemical industry, light industry, the food industry. This group of factors influences forming of the products cost value, forming of sales expenses of products or forming of service cost value depending on a type of enterprise activity.

The third group is development of scientific-technical progress on which depends the emergence frequency of new types of fixed assets, characteristics and parameters alterability of the existing types of fixed assets and influencing forming the cost values of the made products, in particular, of the depreciation charges taking into account obsolescence. Scientific and technical progress objectively influences specific types of fixed assets regarding their exposure of a certain degree of obsolescence that requires the choice of such method of depreciation calculation in case of which the depreciation amount will correspond to their normal reproduction. This factor has significant effect

because of the outlined tendency of reducing duration of lifecycle by many types of products (2-5 times) and fixed assets in particular [7].

The technical organisational level of operation of fixed assets concerns to the fourth group of factors, in particular: support level of technical and operational conditions, timeliness of ensuring preventive and repair works, professional level of staff qualification exerting direct impact on forming of cost value of the made products taking into account repair components.

The fifth group of factors are natural impacts which influence a physical deterioration of fixed assets and ensuring security from the enterprise from them.

The sixth group of factors are products where it is necessary to consider such important components as products lifecycle (origin, jump in production, peak and regression), innovation of products (innovative; not innovative), the demand and supply in the market.

Demand determines production amount that allows to determine dynamics of use of fixed assets (full or partial load of production capacities), and it leads to change of fixed costs in particular of the depreciation charges per unit of production. So, for example, in case of innovative products release, sufficient demand and absence or the low offer in the market, perhaps to use the accelerated depreciation calculation methods that in turn influences cost value and it is possible to consider when forming pricing strategy. Thus, in case of the increasing production amount the break-even point (a profitability threshold) moves towards reduction of amount of products in case of which the enterprise begins to get profit and the inventory of financial durability increases and, on the contrary, in case of the decreasing product demand. Also timely cash inflow, i.e. payment discipline, plays a significant role. Release, sales of products and cash inflow have to be

maximum approximate. Only under such condition the depreciation fund is created the most effectively. Thereby the enterprises shall adhere to a certain credit policy depending on macro- and microeconomic conditions.

The group of factors – a provision of the enterprise in the market – provides consideration:

- Competition availability (high, average, low, enterprise-monopolist);
- Market share (considerable (essential), not considerable (not essential) occupied by the enterprise);
- Enterprise size (small, medium, large);

This factors group influences cost value, in case of the choice of depreciation calculation method that can be levelled by the corresponding pricing, especially if enterprise-monopolist and the occupied considerable market share.

The eighth group is a capitalisation of depreciation which depends from:

- Inflation level (growth, decrease, low, absent, deflation);
- Level of the income;
- Currency rate;
- deposit rates, %;
- Discount;
- Capitalisation period.

The constituting factors groups of capitalisation of depreciation influence financial enterprise opportunities, in particular, of a possibility of funds accumulation on technical enterprise development.

Influence of the considered factors depending on the level of their impact (high, middle, low and zero) it is carried out on a basis of the integrated assessment and arrangement of points on 5 to a mark scale and the corresponding the importance coefficients.

Table 6. Assessment of the factors influencing forming of depreciation enterprise policy

Factors	Impact level				IC	Impact level			
	H	M	L	Z		H	M	L	Z
	Factor assessment					The integrated factor			
1. State depreciation policy	3.0	3.5	4.0	5.0	0.10	0.3	0.35	0.4	0.5
1.1. Regulation and control of process of a fixed assets reproduction and forming of an object of a taxable profit	3.0	3.5	4.0	5.0	0.10	0.3	0.35	0.4	0.5
2. Type of enterprise activity	5.0	4.5	4.0	2.0	0.05	0.25	0.22	0.2	0.1
2.1. Production	5.0	4.5	4.0	2.0	0.05	0.25	0.22	0.2	0.1
3. Scientific and technological progress	2.0	3.0	3.5	5.0	0.2	0.4	0.6	0.7	1.0
3.1. Emergence frequency of new types of fixed assets	2.0	3.0	3.5	5.0	0.1	0.2	0.3	0.35	0.5
3.2 Convertibility frequency of characteristics and parameters of the existing types of fixed assets	2.0	3.0	3.5	5.0	0.1	0.2	0.3	0.35	0.5
4. Technical organisational level of operation of fixed assets (TOLOFA)	5.0	4.0	2.33	0.66	0.15	0.75	0.6	0.35	0.1
4.1. Maintenance Level of technical and operational conditions	5.0	4.0	3.0	-	0.05	0.25	0.2	-	0.15
4.2. Timeliness of ensuring preventive and repair works	5.0	4.0	2.0	1.0	0.05	0.25	0.2	0.1	0.05
4.3. Professional level of staff qualification	5.0	4.0	2.0	1.0	0.05	0.25	0.2	0.1	0.05
5. Natural impacts	5.0	4.0	3.0	-	0.05	0.25	0.2	0.15	-
5.1. Security from natural impacts	5.0	4.0	3.0	-	0.05	0.25	0.2	0.15	-
6. Products (works, services)	4.7	2.4	1.9	1.6	0.15	0.7	0.36	0.28	0.24
6.1. Lifecycle of products	4.5	3.0	2.0	1.5	0.03	0.13	0.09	0.06	0.04
6.2. Innovation of products	5.0	-	-	-	0.05	0.25	-	-	-
6.3 Quality									
6.4. Demand	5.0	4.0	2.5	-	0.04	0.2	0.16	0.1	-
6.5. Supply	2.0	2.5	3.0	5.0	0.03	0.06	0.07	0.09	0.15
7. Provision of the enterprise in the market	3.6	3.3	3.3	2.3	0.10	0.36	0.33	0.33	0.07
7.1. Competition availability:	1.0	2.0	4.0	5.0	0.03	0.03	0.06	0.12	0.15
7.2. Market share	5.0	4.0	2.5	1.0	0.05	0.25	0.2	0.12	0.05
7.3. Enterprise size	5.0	4.0	3.5	1.0	0.02	0.1	0.08	0.07	0.02
8. Capitalisation of depreciation	2.6	2.9	3.4	3.4	0.20	0.52	0.58	0.68	0.68
8.1. Inflation level	1.0	2.0	4.0	5.0	0.04	0.04	0.08	0.16	0.2
8.2. Level of the income	5.0	4.0	3.0	1.0	0.04	0.2	0.16	0.12	0.04
8.3. Currency rate	1.0	1.5	2.0	5.0	0.04	0.04	0.06	0.08	0.02
8.4. % deposit rates	5.0	4.5	3.5	1.0	0.04	0.2	0.18	0.14	0.04
8.5. Discount	1.0	2.5	4.5	5.0	0.04	0.04	0.1	0.18	0.2
Total score					1.0	3.53	3.24	3.09	2.69

Source: Own elaboration

- H – high (the size, peak, a considerable increase);
- M – middle (the size, rise, insignificant growth);
- L – low (the size, recession, decrease);
- Z – zero (fading, invariable indicators, considerable decrease);
- IC – importance coefficient.

The total score is provided in ideal option taking into account the assumption that all factors are estimated as high or middle, or low, or zero.

In each separately taken period under the influence of economy development, influence of the competition, lifecycle of enterprise development and

change of high-quality parameters of products estimation of the allocated factors will change.

In that case the total score of the factors influencing depreciation policy at that other moment of carrying out estimation will change and respectively to influence, for example, on the choice of depreciation calculation method.

Researches of the offered factors creating depreciation policy of the enterprise allowed revealing the most significant factors to which it is necessary to carry first of all:

- Development of scientific and technological progress;
- Technical organisational level of operation of fixed assets (TOLOFA);
- Products (works, services);
- Capitalisation of depreciation.

### Conclusions

Now therefore in a basis of development of depreciation enterprise policy, on our opinion, shall be included:

- installation of useful term of use of a specific fixed asset object;
- method choice of depreciation calculation taking into account intensity of use and receipt of

- economic benefits by the enterprise from a specific fixed asset object;
- forming of conditions and revaluation order of fixed assets;
- a possibility of a process improvement of capitalisation of depreciation – as source of fixed assets reproduction
- capitalisation conditions and use of savings for the depreciation account.

Fixing of useful term of use of a specific fixed asset object and the choice of calculation method of depreciation shall be performed taking into account the factors influencing on: use intensity of the fixed assets; receipt of economic benefits by the enterprise from a specific fixed asset object. At the same time the most influencing factors on forming of depreciation enterprise policy are level development of scientific-technical progress; technical organisational level of operation of fixed assets; the product nomenclature (the performed works, the rendered services); depreciation capitalisation.

Research results, can find the application by the enterprises in various industries when forming depreciation policy.

### Abstract

Depreciation charges are a source of simple reproduction of fixed assets, contributing to the technical and technological enterprises development, and with the possible accumulation of financial resources in excess of a simple upgrade, can become a source of investment programs. The research allowed to identifying a number of issues faced by companies in the development of the depreciation policy. These aspects included: choice of method of depreciation calculation, the establishment of the useful life of fixed assets and the factors affecting the formation of the amortisation enterprises policy.

The studies identified: Rating methods for calculating depreciation, depending on the rate of reimbursement of fixed assets; cash flows and their assessment carried out on the basis of NPV; factors influencing the choice of method for calculating depreciation and presented their assessment.

Conducted analytical steps possible to identify the main principles that should be taken into account in the formation of the depreciation enterprise policy:

- installation of the useful life of a particular item of property;
- the choice of method of depreciation calculation;
- creating conditions and procedure for revaluation of fixed assets;
- the ability to optimize the process of capitalisation of depreciation - as a source of reproduction of fixed assets;
- the conditions of use of capitalisation and savings due to depreciation.

Establishing the use of the useful life of a particular item of property, and choice of method of calculating depreciation should take into account factors that affect: the intensity of use of fixed assets; economic benefits now from a particular fixed asset. The most influencing factors on the formation of the amortisation enterprises policy are: the level of development of scientific and technological progress; technical and organisational level, plant and equipment; range of products (work performed, services rendered); capitalisation of depreciation.

*JEL Classification: G31, O16.*

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