



Dr habil., Professor Svitlana Levytska¹⁾
PhD, Assoc. Prof. Olga Osadcha²⁾

Accounting and Audit Department in National University of
Water Management and Natural Resources Use
(Rivne, Ukraine)

s.o.levytska@nuwm.edu.ua

o.o.osadcha@nuwm.edu.ua



**SUSTAINABLE REGIONAL ECONOMICS AS A RESULT OF
ADMINISTRATIVE-TERRITORIAL REFORM IN UKRAINE:
ACCOUNTING AND MANAGERIAL APPROACHES**

**PROBLEMATYKA ZARZĄDZANIA I RACHUNKOWOŚCI W ZAKRESIE GOSPODARKI
REGIONALNEJ NA TLE PRZEPROWADZONYCH NA UKRAINIE REFORM
ADMINISTRACYJNO-TERYTORIALNYCH**

**ОЦЕНКА СБАЛАНСИРОВАННОГО РЕГИОНАЛЬНОГО ЭКОНОМИЧЕСКОГО
РАЗВИТИЯ:
УЧЕТНЫЕ И УПРАВЛЕНЧЕСКИЕ ПОДХОДЫ**

Abstracts

The article is devoted to the problems of providing a sustainable regional economics, which is a priority when implementing administrative-territorial reform. Indexes of sustainable economic development are given. The accuracy of accounting insights from social, economic and ecological business activity of the entities is pointed out. The sustainable activity of regional social and economic development on micro, meso and macro levels is analyzed, the indexes of accounting and financial reporting are being used.

Keywords: *sustainable regional economics, economic indexes, environmental safety indexes, social security indexes.*

Streszczenie

Artykuł poświęcony jest problemom zapewnienia zrównoważonej ekonomii regionalnej, która jest priorytetem przy wdrażaniu reformy administracyjno-terytorialnej. Opisano wskaźniki zrównoważonego rozwoju gospodarczego. Scharakteryzowano problematykę rachunkowości społecznej oraz ekonomicznych i ekologicznych determinantów działalności gospodarczej przedsiębiorstw. Opisano zastosowanie wskaźników rachunkowości i sprawozdawczości finansowej w opisie kwestii zrównoważonego społeczno-gospodarczego rozwoju regionalnego z uwzględnieniem podziału na ujęcie mikro, mezo i makroekonomiczne.

**Dr habil., Professor S. Levytska
PhD, Assoc. Prof. O. Osadcha**

***Słowa kluczowe:** ekonomia zrównoważonego rozwoju regionu, indeksy ekonomiczne, wskaźniki bezpieczeństwa ekologicznego, wskaźniki systemu ubezpieczenia społecznego.*

Аннотация

Статья посвящена проблемам реализации сбалансированной региональной экономики, как приоритета имплементации административно-территориальной реформы. Раскрыты показатели оценки сбалансированного экономического развития, формирования достоверной учетно-аналитической информации социально-экономического и экологического направлений хозяйственной деятельности юридических лиц. Сбалансированное развитие региональной экономики на макро-, мезо- и микро-уровнях проанализированы с использованием показателей бухгалтерского учета и финансовой отчетности.

***Ключевые слова:** сбалансированная региональная экономика, административно-территориальная реформа, социальное обеспечение, экономическое развитие, экологическая безопасность.*

Problem formulation. Ukraine has been implementing the administrative-territorial reform systematically since 2015. It is based on the local government reform and administrative-territorial division. The reform is expected to have 1500-2000 efficient community groups instead of over 11000 local administrations.

Efficient community groups are territorial communities in villages (towns) that, having united voluntarily, became capable, either individually or by means of local government, to satisfy the needs of a certain territorial unit, providing proper level of service in any direction of social and economic development [11].

Providing a sustainable regional economics, which is a priority when implementing administrative-territorial reform, implies the establishment of such economic infrastructure that would create conditions for overall social development (taking into account all social categories), guarantee security of environmental safety at the given moment and in future. In other words, the final result of the administrative-territorial reform is a sustainable regional economics.

The most popular definition of a «sustainable development» is described as the process of establishing equilibrium between human needs at present and protection of future generations, including their needs in safe and healthy environment [12].

The French variant of the English term

«sustainable development» is «développement durable» which means «continuous development». In most cases it is understood as «stable development» [1; 3; 7].

It is our belief that, according to standards and well-known published definitions of the national business activities strategy and purpose, the term «sustainable operational business activity» (hereinafter referred to as sustainable activity) should be used.

Business entities in Ukraine can be divided into two main groups:

- businesses – legal entities engaged in entrepreneurial activities which gain profit (business entities);
- governmental organizations: institutions (government and public administration, government trust funds), which operate primarily through the budget (the subjects of the non-business).

The activities of enterprises are governed by national Provisions (standards) of accounting (R(S)A), which generally are not contrary to International Accounting Standards (IAS).

Accounting for government agencies is being actively reformed now, which includes introduction of National Provisions (standards) of Accounting for Public Sector bodies (NP(S)APS), which is also not in conflict with the International Accounting Standards for the Public Sector (IASPS).

Enterprises as well as budget organizations should comply with the requirements for

efficient use of production resources and for employees social security along with environmental safety of business activity in general.

The analysis of recent researches and publications. Organizational and economic issues of sustainable social development implementation were analyzed by such leading foreign and national scientists as R. Vos, Z. Gerasymchuk, T. Jackson, A. Jhulka, E. Carina, H. Keskitalo, M. Klymenko, R. Kozul-Wright, V. Kravtsiv, D. Lilenfeld, A. Melnyk, V. Trehobchuk and others.

A considerable attention to information support of the balanced business activity is paid by the prominent accounting scholars, such as S. Svirko, Yu. Kuzminskyi, Z. Gutsailiuk, G. Davydov, L. Lovinska, I. Sadovska and others.

Nonetheless, the research of methodical and practical approaches to economic guarantee of sustainable development mechanism, in the context of the modern economic reforms, requires further investigation.

The purpose and objective of research. The purpose of the given research is to show: the indexes of sustainable regional economic development; the essence of information support in social and economic as well as ecological approaches of the business activities.

The main material of the research. Within the range of standard and practical regulations, sustainable activity should be analyzed on:

- micro level, i.e directly on the business activity level;
- meso level – within the regional social and economic development;
- macro level – in the context of governmental programs on its implementation.

We believe that sustainable **business activity** refers to the organization of rational and efficient use of production resources aiming to implement operative and strategic tasks of business activities. This implies complex equilibrium of three constituents:

- positive dynamics of economic indexes (economic constituent);
- social security (social constituent);
- environmental safety of operational activity (ecological constituent)

Information that shows the dynamics of changes in economic, social and ecological indexes should provide objectivity and accuracy, i.e should be disclosed in different types of financial statements.

To evaluate, analyze and improve the subject-matter practically it is important to choose rationally the indexes of sustainability that would adhere to the standards of:

- accountability, i.e being defined in all forms of financial reports;
- objectivity, i.e having uniform criteria of definition considering the industry of business activities;
- unified measuring value in the classification groups section of the following indexes: cost, physical, quality; absolute, relative.

Information base of sustainable activity for Ukrainian enterprises is presented by the integrated system of business accounting that includes accounting, statistical accounting, managerial accounting, tax and budget settlements accounting (figure 1.).

Nowadays accounting and financial statements data is not sufficient source of information anymore when it comes to making strategic or operational managerial decisions: the advantages of management accounting are not properly regulated in legislation; methodical basics of (internal) accounting should be further harmonized with settlements of budgetary payments accounting [2].

Considering the information included in the enterprise financial accounting, we can distinguish the following major indexes of sustainable activity.

Economic indexes refer to the basic and derived indexes of financial result as well as resources provision.

Basic: 1. Gross income 2. Operating income 3. Cost of sales 4. Asset value (average annual) 5. Net asset value 7. Average number of employees 8. Pre-tax income 9. Retained earnings (uncovered loss).

Derived: 1. Return on assets and capital-output ratio 2. Labour productivity 3. Average wages 4. Profitability index [8; 10].

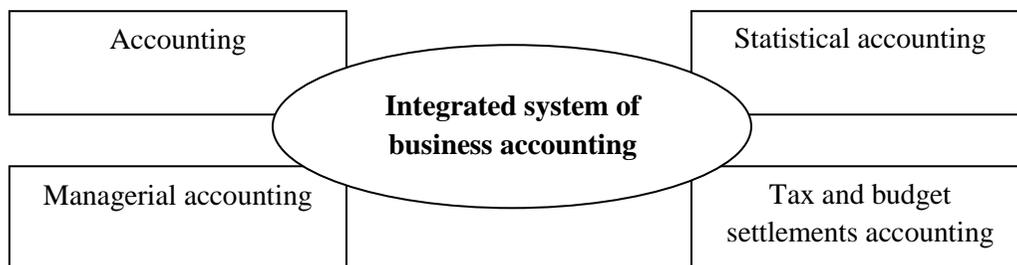


Figure 1. The integrated system of business accounting

Environmental safety indexes refer to the evaluation of environmentally safe conditions of production and labor, providing environmental and reproductive influence of the activity results on regional development of quality (V) and quantity (VV) indicators, such as

- energy and heat consumption (VV),
- stock use (VV),
- use of natural resources: water and power (VV),
- cost/amount of waste (VV),
- internal and external air quality (V),
- noise and smell evaluation (V),
- environmental safety of manufacturing procedure, workplace, output (V) [3; 9].

Social security indexes refer to the rational use and reproduction of labor resources considering the needs of their professional development and social service (in most cases it is known as employee benefits):

- basic benefits or the guarantees of social security mandated by the law of Ukraine and included into employment agreement;
- motivating benefits combine compensation (damages covered by the employer as additional means added to the guarantees mandated by the law) and competitive benefits (encouraging system of employees support) [3; 4].

Procter & Gamble (P&G) is an American transnational corporation which can be called the most active «lobby» of sustainable business activity. A large scale of its production stipulates system combination of company, government and public interests of the region where it is domiciled. P&G uses UK government variant of sustainable development definition, stated as, "Sustainable development is ...the importance of ensuring that all people should be able to satisfy their basic needs and

enjoy a better quality of life, both now and in the future."

As for social responsibility, there are two main directions (they have practically become the secret of P&G's success):

1. Corporate social responsibility
2. Sustainable manufacture and consumption of goods across the nation [6; 8].

In other words, the company is obliged to consider national standards of social security as well as to support government programs of social development. In practice it is regulated by the legal consultants who are responsible for the internal Standards Code of social responsibility.

The need for adding such indexes as: generating and protecting human capital; corporate management of the personnel development; pollution as a result of enterprise activity, etc. to the existing forms of financial accounting becomes obvious.

We have conducted social research of Rivne region enterprises trying to check how they adhere to their social programs (the study included business activity of 32 joint-stock companies). Unfortunately, the majority of executives define employee benefits as compliance with labor legislation, i.e. on time payroll payment. Only 19 enterprises from the research, indeed, use motivating elements of the employee benefits and try to follow them.

Let's take, for example, the indexes of social security considering international practice of non-profit business units. In general, all indexes of business social responsibility can be divided into four blocks:

- health safety;
- corporate culture development;
- training, professional development;
- recreation and entertainment;

- labor motivation.

Methods of accounting according to national accounting standards do not stipulate all

sustainable activity indexes given above in financial statements of both enterprises and public sector entities (table 2).

Table 2. Economic, social and ecological indexes of business activity in accounting

№	Indexes of Sustainable Development	Elements of Accounting					
		valuation	calculation	double entry	inventory	documentation	preparing financial statements
1	2	3	4	5	6	7	8
1	economic indexes						
	basic	V	V	V	V	V	V
	derived						
2	environmental safety indexes						
	- quality	V				V	
	- quantity	V	V	V	V	V	V
3	social security indexes						
	- basic benefits	V	V	V	V	V	V
	-motivating benefits	V	V	V		V	

The need to expand sustainable activity indexes in the forms of financial accounting for Ukrainian business is obvious. Thus, implementation of integrated accounting reporting becomes important. This system is not stipulated by the limitations of a certain accounting system, it can provide full information resulting from economic justification of social and ecological constituents' provision in business activities.

Dynamic development of entities involved in accounting implies for the accounting data to be specified, i.e additional analytics of financial accounts along with internal forms of accounting being introduced. The study, evaluation and comparison of indexes of Programs for economic development, social security and environmental safety implementation call for the necessity to create unified index, i.e integrated index of sustainable activity.

Calculation objectivity as well as financial support of its implementation are important for the integrated index. National Accounting Standards of Ukraine offer a chance to cover the expenditure on implementation process of the above mentioned Programs in a few alternative variants.

Social security and environmental safety

programs funding depends on the valuation of the final financial result: profit/loss - for enterprises; the result of budget execution - for public sector entities.

For enterprises such expenses can be covered by:

- using other operational expenditure if analytic subaccounts are introduced in the columns of the Programs: Debit «Other operational expenses» - Credit «Resources (suppliers)»;

- using a fund created by means of retained profit account: Debit «Profit use» - Credit «Fund of sustainable activity»; Debit «Fund of sustainable activity» - Credit «Resources (suppliers)»;

- using reserve fund account for the Programs of sustainable operational activity implementation: Debit «Other operational expenses» - Credit «Reserves», Debit «Reserves» - Credit «Resources (suppliers)».

The practice of identifying the final financial results of public institutions of Ukraine is shown in Fig. 2.

Unfortunately, nowadays in certain elements of income methodology there is an inadequacy of international standards of public sector accounting, financing from the budget are accepted as income in turnaround time.

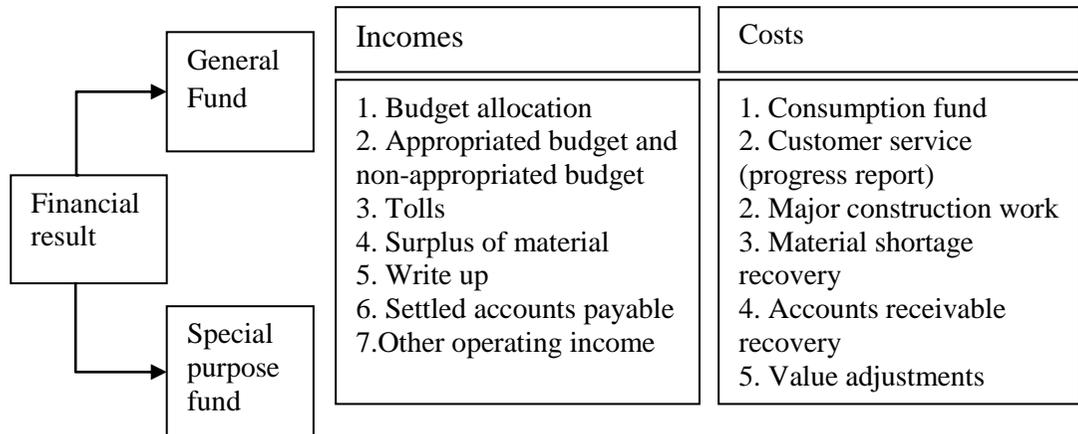


Figure 2. The structure of the financial results of budget institutions in Ukraine

As part of the Reforming Strategy of state sector accounting according with the National accounting regulations of state sector bodies (NRASSB 124 'Revenue' and NRASSB 135 'Expenses') since 2016 the financial statements has provided acknowledgment of financial indicators result of these entities in the statement of financial position and statement of operations in terms of 'surplus / deficit of this period' (National accounting regulations of state sector bodies).

Public sector entities in Ukraine can not make withdrawals either from general or from special funds. At present time, the possibility of creating reserves by such entities has not been stipulated. Thus, taking into consideration sustainable business activity in terms of Social security and environmental programs is the most appropriate for such entities (the programs should be previously agreed upon with the CFO).

Therefore, such expenses will be accounted by means of analytical subaccounts added to accounts of general and special funds reporting:

Debit «costs and expenses of total\special fund» - Credit «resources (suppliers)»;

Debit «budget execution result of total \special fund» - Credit «costs and expenses of total \special fund.»

Conclusions: New administrative-territorial reform in Ukraine is impossible without the support of business enterprises – the «core» of territorial and economic development. It is important for any enterprise to determine properly the indexes of sustainable activity, to plan its resource supply, to monitor the productivity in the Programme of economic development, social security and environmental safety implementation report for administrative-territorial unit, enterprise or country in general. Thus, sustainability indexes in the process of administrative-territorial reform implementation should become a subject-matter of systematic government control and support and for businesses the indexes should be the basis of accounting and analytic supply as well as of internal operational audit at the stages of planning, implementation and result evaluation.

Bibliography:

1. Apostoliuk S. (2012). Промислова екологія. Навч. посіб. (2nd ed.) S.Apostoliuk, V. Dzygyrei (Eds.). Kyiv: Знання.
2. Berling R. Ecological and economic losses and their relationship between notion expenses and costs for enterprises operating under development innovation. Retrieved from http://archive.nbu.gov.ua/portal/natural/vnulp/logistyka/2012_749/01.pdf.
3. Dictionary of terms and definitions on environmental protection, nature resources use and environmental safety. St. Petersburg: Изд-во СПбГУ, 2001. Retrieved from http://lugaveles.ucoz.ru/news/slovar_terminy_i_opredelenija_po_okhrane_okruzhajushhej_sredy_prirodopolzovaniju_i_ekologichesk

oj_bezopasnosti/2011-04-04-42.

4. Indexes of business social responsibility. Retrieved from http://pidruchniki.ws/10560412/ekonomika/analiz_rezultativ_sotsialnogo_rozvitku_pidpriyemstv.

5. Klyumenko S., & Dubrova O. (2005). Обґрунтування господарських рішень та оцінка ризиків. Навчальний посібник. Retrieved from ubooks.com.ua/books/000271/inx37.php.

6. Krasnikov D. (2012). Еволюція поняття «збитки» та регулювання їх відшкодувань в Україні. Наукові праці Кіровоградського національного технічного університету. Економічні науки, 22, (II). Retrieved from [http://www.kntu.kr.ua/doc/zb_22\(2\)_ekon/stat_20_1/43.pdf](http://www.kntu.kr.ua/doc/zb_22(2)_ekon/stat_20_1/43.pdf).

7. Lectures: Ecology. Economical mechanism of nature resources use: Environmental damage. Retrieved from http://uchebalegko.ru/lections/viewlection/ekologiya/ekonomicheskij_mehanizm_prirodopolzovaniya/ekologicheskij_uscherb.

8. Makar S. (1998). Основы экономики природопользования. Moscow: A.S. Griboedov Institute of international law and economics.

9. Miiagchenko O. (2010). Основи екології. Підручник. Київ: Центр учбової літератури. 2010. – 312 с.

10. Oleinyk K. (2002). Экологические риски в предпринимательской деятельности. Moscow: Анклир.

11. On voluntary union of territorial communities: Resolution of Ukraine. Відомості Верховної Ради (ВВР), 2015,13, p.91

12. Sustainable development. Retrieved from <http://uk.wikipedia.org/wiki>