

*the connection of such a competitiveness with market factors as well as reviews the possibilities of managers and owners in its assessment. It provides the conclusion that the enterprise's tax competitiveness can be structured, assessed, modeled and predicted for providing its multi-vector development. Influencing weak sides of the tax system of business entity based on the results of such an assessment, it is possible reduce the level of the "gap" between actual and its maximum possible options. Prospects for further research in this area should lie on methodological approaches to the assessment of enterprise's tax competitiveness and use of corresponding results for providing multi-vector business development.*

**Keywords:** *enterprise, tax competitiveness, the tax system, tax management, multi-vector development, development.*

Одержано 09.02.2016 р.

UDC 657.631

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## **ANALYSIS OF THE METHODOLOGY FOR CALCULATING THE GROSS PROFIT IN THE FORMS OF FINANCIAL STATEMENTS**

*The problem of the semantic load of the financial statements used by analysts to assess adequately the financial condition of the enterprise as a whole and the performance of operations, in particular has been considered in the article. That is why the methods, techniques and indicators used in the financial analysis should meet the requirement of expediency. Spending resources on analytical techniques, which do not bear practical use, is an inefficient use of time. The purpose of the article is to analyze the economic interpretation of the category of "gross profit" and to justify the need to change its calculation methodology in order to obtain analytical content. Despite its apparent simplicity, the gross profit is very ambiguous economic category. As a measure of interim operating efficiency, it takes a fuzzy position in the hierarchy of other types of financial results. Systematizing the definition of gross profit from scientific publications, academic literature and regulatory documents, difference in the procedure for calculating this indicator has been noted, which leads to the loss of their analytical sense. As a result of the research findings it has been concluded that it is necessary to bring the procedure of calculation the gross profit to margin calculation methodology of income, which is actively used in the analysis of the relationship of production costs, output and financial results (CVP-analysis). CVP-analysis is a powerful tool for planning costs and pricing policy of the company, but its use based on forms of financial reporting is limited due to non-compliance of accounting standards with analysis needs. Now the identification of gross profit with margin is not possible due to the inclusion of the gross margin value of depreciation charges in the algorithm for calculating, despite the fact that these costs do not depend on the production volume, that is, the majority of symptoms should be referred to the so-called fixed costs, which are excluded from the calculation of the profit margin. In this case, calculation of gross margin and its reflection in a separate line in the financial statements loses analytical sense. It is necessary to review the procedure for calculating gross profit for the purpose of entry into the contextual load. Further research will be aimed at addressing the substantial differences in the definition of the key concepts of financial analysis with the aim of harmonizing financial reporting forms.*

**Keywords:** *gross profit, contribution margin, financial reporting, operations, costs, financial results.*

### **INTRODUCTION**

Financial analysis is the set of tools that allows making effective management decisions aimed at ensuring long-term successful operation of the enterprise in a changing economic environment. That is why the methods, techniques and indicators used in the analysis must meet the requirement of expediency. Spending resources on analytical techniques, which do not bear practical use is an inefficient use of time. In this sense, the information base and its use in analytical work should be understood by the overwhelming majority of users and be the most meaningful. NP (S) BU 1 «General Requirements for Financial Reporting», according to which «financial

statements should contain only relevant information that affects decision-making by users ...» [1] declares this postulate. However, some indicators of financial statements do not meet the relevant requirements fully. Gross profit is considered one of such indicators - a part of the report on the financial results (statement of comprehensive income).

**Analysis of studies and publications.** Question of definition of profit is actively discussed among representatives of national and foreign schools of financial analysis. Fundamental works of A. Babo, A. Marshall, K. Marx highlight the essence of this overarching economic category. In the works of Russian scientists of I.O. Blanc, F. F. Butynets', V. O. Metz, V. M. Oparin its types are

characterized, the value for the identification of successful entrepreneurship. However, gross profit as one of the stages of formation of the final financial result (profit) is left without attention of scientists, reflected mainly in the regulatory documents defining the procedure of registration of economic operations. Accepted in the documents determination of gross profit is deprived, in our view, of signs of relevance.

**The aim of the article (problem).** The aim of the study is to analyze the economic interpretation of "gross profit" category and justification of the need to change its calculation methodology in order to obtain analytical content.

## RESULTS

Despite its apparent simplicity, the gross profit is very ambiguous economic category. Firstly, it is a part of a larger, fundamental concept of «profit», which, according to many researchers [4, 5], also needs rethinking, refining in order to achieve uniqueness of interpretation. Therefore, we consider it appropriate, first, to consider the approach to the interpretation of the total profit.

The paper [5] indicates that the economic category of «profit» is characterized by multidimensionality, a variety of forms, and therefore has no unambiguous interpretation of the essence of profit and method of its determination. The authors give a comparative description of the different opinions of scientists about the nature of income. It should be noted that among the proposed definition there are both scientific and practical definitions and descriptive characteristics. In our opinion, such interpretation (like «profit is one of the main categories of commodity production ... characterizes the relationships that develop in the process of social production») cannot serve as a complete definition, since only define the place of profit at the social and industrial relations, but it does not disclose the author's view of its nature.

The authors have investigated the evolution of economic thought on the theory of profit and suggested their own analysis of the morphological classification of profit. Among the many signs there are unconditional and discussion (for example, classifying income according to the type of activity, it is inappropriate to duplicate according to the objects: the profit from sales is a reference to the financial statements of the sample of 90s, while this figure can be calculated as the financial result from operating activities. In addition, we can not agree with the existence of "profit from financial activities", because the nature of the financial activity does not provide for the generation of added value, but it is necessary to point out that the place of gross profit is not designated in the proposed classification .

The paper of Blanc I. O. [3] most fully has covered various types of income classifications. The author did not leave without attention the amount of gross profit, it is considered as a part of the elements forming the profit on different degrees of "cleaning" of earnings from spending along with margin and net income. The scientist defines gross profit as «...the sum of net income from operating activities after deducting all operating expenses, both permanent and variable» [3, p. 46]. In this sense, I. O.

Blanc identifies the method of calculating gross and balance sheet profit, with the difference, that the balance sheet profit is calculated for all activities, while gross profit exclusively for operating. Please note that the profit margin is opposed to gross one in expenses, used to calculate only variable costs. In the future study we will make an attempt to prove the need for convergence of the concepts of «contribution margin» and «gross profit» by changing the procedure of calculating the latter.

So, we can make the first conclusion that the gross profit is a link between income and expenses of the enterprise incurred during operation. This confirms place of display of gross profit value in the income statement, however, algorithm for calculating the index is different, «... gross profit (loss) is calculated as the difference between the net income from the sale of goods (works, services) and cost of sales ( goods, works, services), taking into account the amounts that are shown in other articles»[1]. At first glance, the approach is similar, but the cost does not include administrative expenses, selling expenses, other expenses incurred during the operations. Thus, the gross profit according to I. O. Blanc and gross profit according to NP(S)BU are different in nature and value of indicator. Unfortunately, it is impossible undoubtedly to take the side of the standard as normative document due to two factors:

1) interpretation of gross income as the income, purified of all costs, is common among regulatory and reference literature that is freely available on the web. These are the sources of information about the nature of an economic indicator, which ordinary users of financial statements mainly use;

2) We believe that the gross profit in the statement of financial performance does not bear the analytical load. Let us recall the structure of I section of the report on financial results [1]: with the net proceeds from the sale of products (line 2000), it is necessary to subtract the cost of sales (line 2050), resulting in a gross profit (line 2090). In a number of applied publications on financial analysis it is suggested to use this figure to calculate intermediate return on capital or goods (the so-called gross margin [9, p. 408], the profitability of the production costs [8, p. 562]). In our opinion, it is not advisable – as practice shows, administrative expenses, selling expenses, other operating expenses make considerable sums for many companies, and it is economically unjustified to ignore them when calculating the so-called «gross margin». Possible objections: it is not final rate of profitability, because the return on operating activities, net margin, etc. is calculated. In this case, let us ask ourselves the question: what reflects the «gross margin», what benefits its value provides to an analyst? The arithmetic comparison of «gross margin» with «operating margin» is an artificial replacement of the structural analysis of the composition of the costs forming the financial result from operating activities. Neither for space analysis, no for trend one this indicator, in our opinion, does not bear the semantic load. But it takes place in the accounts, violating the principle of relevance, diverting the attention of the analyst.

But in the financial statements there is no other indicator that is simply necessary to determine the relationship between indicators of the structure of

production costs, output and profits - that means providing direction of analytical work, which was named in economic theory «CVP-analysis». This is contribution margin, which is in the classification of I. O. Blanc preceded the gross one. The essence and meaning of our contribution margin was considered in [6], and fully revealed in the works of well-known scientists-economists O. Orlov and E. Riasnyk [7]. It has been proved that the use of this index provides a distribution of fixed costs, which, on the one hand, is clear, simple in calculations and easily fulfilled at any enterprise, on the other – economically justified. The method of distribution of fixed costs in proportion to the contribution margin, has been proposed by scientists and allows determining:

- critical production volume for each product in volume and value terms;
- conditionally permanent costs for each product;
- profit and profitability for each product.

Using of marginal income based on the methodology proposed by the scientists, allows using the powerful tools of management and optimization of costs, profit planning in terms of even assortment of output, which is almost impossible using classical models, such as in [10]. After all, the classical methods require the transfer of the entire range in arbitrary units, or designed for almost incredible situation where the company produces one type of product.

Thus, marginal income is a key parameter in the system of CVP-analysis indicators. But it is absent in the financial statements of companies, however, there is the gross income, which has no practical use. And it is the time to notice that in many papers contribution margin is called gross margin profit, gross margin. In the classical model of CVP-analysis [10] gross profit margin is defined as the difference between revenues and variable costs. Such an interpretation coincides with what I.O.Blanc calls profit margin.

Hence, the second conclusion of our study is it is not necessary to distinguish between the concepts of gross and contribution margin, which refers to the financial results, formed by subtracting the revenue, generated in operating activities, expenses, proportional to the volume of sales. In economics these costs are called variables. At first glance, it does not contradict the accounting standards as a variable is understood as the costs that can be directly attributed to the cost of production. Order of the Ministry of Finance dated 18.03.2011 №372 introduced a similar standard for companies that determine the cost price according to subparagraph 11 of paragraph 11.1, P (S) BU

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16 «Expenses» [2], hence line 2090 in the statement of financial performance seems logical. However, according to this provision «depreciation of manufacturing plant and equipment and intangible assets directly related to the production of goods» should be classified as the direct costs. However, depreciation is an element of fixed costs, the amount of depreciation depends on the initial value of the object and the chosen method, not on the volume of output. Only in the case where the company uses the production method of depreciation, we can talk about the identity of the total variable costs (in the models CVP-analysis) and prime cost, calculated on direct costs. However, in practice, not all companies use the production method, therefore, this identity is not executed, respectively, the gross profit does not coincide with the contribution margin.

Thus, the third finding of the study: to obtain the value of «gross profit» real analytical load it is necessary to remove the value of accumulated depreciation from the calculation of cost of sales. Otherwise, the gross profit figure will be indicator «in itself».

## CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH

One of the principles of financial analysis is relevance. Compliance with this principle requires all parameters, which are calculated in the analytical work, to be informative and useful for decision-making. The amount of gross profit calculated in accordance with accepted standards of financial accounting, does not meet the requirement of relevance, in our opinion, does not meet the requirement of relevance because of inclusion of the cost of sales, meaningful element of fixed costs – depreciation. When only the cost of those expenses that change in proportion to the volume of production and sales are taken into account, the gross profit would have a very different meaning, which would bring it closer to the value of gross margin income, the relevance use of which in the course of the analytical work is beyond doubt. It is necessary to revise the standard of cost accounting in order to ensure their clear structuring and to give to the term «gross profit» economic sense, which will allow its effective use in management accounting and financial analysis.

Prospects for further research are viewed in the plane of the harmonization of financial reporting forms, also through the elimination of substantial differences in the definition of the key concepts of financial analysis.

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### **АНАЛІЗ МЕТОДОЛОГІЇ РОЗРАХУНКУ ВАЛОВОГО ПРИБУТКУ У ФОРМАХ ФІНАНСОВОЇ ЗВІТНОСТІ**

*У статті розглядається проблема змістового навантаження показників фінансової звітності, які використовуються аналітиками для адекватної оцінки фінансового стану підприємства загалом та результативності операційної діяльності зокрема. Саме тому методи, прийоми та показники, що використовуються у процесі фінансового аналізу, повинні відповідати вимозі доцільності. Витрачати ресурси на аналітичні технології, що не несуть практичної користі – неефективне використання часу. Мета статті полягає у аналізі трактування економічної категорії «валовий прибуток» та обґрунтуванні необхідності зміни методології його розрахунку з метою набуття аналітичного змісту. Попри удавану простоту, валовий прибуток виявляється дуже неоднозначною економічною категорією. Будучи вимірником проміжної ефективності операційної діяльності, він займає нечітку позицію у ієрархії інших видів фінансового результату. Систематизуючи дефініції валового прибутку, що мають місце в наукових публікаціях, навчальній літературі та нормативних документах, було відзначено відмінність у процедурі обчислення даного показника, що призводить до втрати ним аналітичного сенсу. У результаті дослідження було зроблено висновки щодо необхідності приведення процедури обчислення валового прибутку до методології розрахунку маржинального прибутку, який активно використовується у процесі аналізу взаємозв'язку собівартості продукції, обсягу виробництва і фінансових результатів (CVP-аналізі). CVP-аналіз – це потужний інструмент планування витрат та цінової політики підприємства, але його використання на основі форм фінансової звітності обмежене через невідповідність стандартів обліку потребам аналізу. Наразі ототожнення валового прибутку з маржинальним є неможливим через включення в алгоритм обчислення валового прибутку величини амортизаційних нарахувань, попри те, що ці витрати не залежать від обсягу виготовленої продукції, тобто за більшістю ознак повинні бути віднесені до так званих умовно-постійних витрат, які включаються з обрахунку маржинального прибутку. В такому випадку розрахунок валового прибутку та відображення його окремим рядком у фінансовій звітності втрачає аналітичний сенс. Необхідно переглянути процедуру обчислення валового прибутку з метою набуття ним змістового навантаження. Подальші дослідження будуть спрямовані на усунення змістових розбіжностей у визначенні ключових понять фінансового аналізу з метою гармонізації форм фінансової звітності.*

**Ключові слова:** валовий прибуток, маржинальний прибуток, фінансова звітність, операційна діяльність, витрати, фінансовий результат

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### **АНАЛИЗ МЕТОДОЛОГИИ РАСЧЕТА ВАЛОВОЙ ПРИБЫЛИ В ФОРМАХ ФИНАНСОВОЙ ОТЧЕТНОСТИ**

*В статье рассматривается проблема смысловой нагрузки показателей финансовой отчетности, используемых аналитиками для адекватной оценки финансового состояния предприятия в целом и результативности операционной деятельности в частности. Именно поэтому методы, приемы и показатели, используемые в процессе финансового анализа, должны отвечать требованию целесообразности. Тратят ресурсы на аналитические технологии, не несущие практической пользы – неэффективное использование времени. Цель статьи заключается в анализе трактовки экономической категории «валовая прибыль» и обосновании необходимости изменения методологии ее расчета с целью наполнение аналитическим содержанием. Несмотря на кажущуюся простоту, валовая прибыль оказывается очень неоднозначной экономической категорией. Будучи измерителем промежуточной эффективности операционной деятельности, она занимает нечеткую позицию в иерархии других видов финансового результата. Систематизируя дефиниции валовой прибыли, имеющие место в научных публикациях, учебной литературе и нормативных документах, было отмечено отличие в процедуре вычисления данного показателя, что приводит к потере им аналитического смысла. В результате исследования были сделаны выводы о необходимости приведения процедуры вычисления валовой прибыли к методологии расчета маржинальной прибыли, которая активно используется в процессе анализа взаимосвязи себестоимости продукции, объема производства и финансовых результатов (CVP-анализе). CVP-анализ – это мощный инструмент планирования затрат и ценовой политики предприятия, но его использование на основе форм финансовой отчетности ограничено из-за несоответствия стандартов учета потребностям анализа. На*

данный момент, отождествление валовой прибыли с маржинальной невозможно из-за включения в алгоритм вычисления валовой прибыли величины амортизационных начислений, несмотря на то, что эти расходы не зависят от объема произведенной продукции, то есть их по большому числу признаков должно отнести к так называемым условно-постоянным расходам, которые исключаются из расчета маржинальной прибыли. В имеющемся случае расчет валовой прибыли и отражение ее отдельной строкой в финансовой отчетности теряет аналитический смысл. Необходимо пересмотреть процедуру вычисления валовой прибыли с целью получения ею смысловой нагрузки. Дальнейшие исследования будут направлены на устранение содержательных разночтений в определении ключевых понятий финансового анализа с целью гармонизации форм финансовой отчетности.

**Ключевые слова:** валовая прибыль, маржинальная прибыль, финансовая отчетность, операционная деятельность, расходы, финансовый результат.

Одержано 10.02.2016 р.

UDC 336.027

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## METHOD OF ASSESSMENT OF FINANCIAL RELATIONS STABILITY IN UKRAINE

*Ensuring economic development is impossible without optimizing financial relations as the main element of organizational and economic relations in the economic system. The study aims at justification criteria (evaluation parameters) of assessment of the financial relations stability and, through them, determine the dynamics of financial relations in Ukraine. Methods of economic and mathematical analysis, synthesis in processing of statistical data; induction and deduction in determining cause-effect relationships have been used in the study. The focus is on stabilizing the financial relations connected with the creation and use of financial resources businesses, households and the state. It has been proved that financial relations is the part of the economic relationship that defines relations between economic agents, employees and the state for the purpose of distribution and redistribution of gross social product. State, economic businesspersons and employees are subject to financial relations and create the necessary financial (cash) funds providing expanded reproduction process, meet social and other needs, material incentives of employees. The subject of economic relations taking part in the distribution of gross product can be considered as structure-forming sign of classification of financial relations. Characteristics of determination of the optimal proportions in the field of development and distribution of final incomes have been suggested. Based on the analysis the basic problems of the institutional structure of financial relations in Ukraine have been determined. An assessment of factors of influence on the stages of actual GDP formation (as the basis of financial relations), the formation of primary incomes and formation of gross disposable income of institutional sectors relative to GDP provide scientific novelty of the study. Evaluation of the current state of stability of financial relationships does not allow determining their condition as stable. Signs of instability, and in some cases criticality, need to identify potential options for stabilizing the financial relations. Further studies will be used to identify potential macro shocks that lead to the destabilization of financial relations in Ukraine.*

**Keywords:** financial relations, financial relations institutional structure, stability of financial relationships, GDP.

### INTRODUCTION

**Formulation of the problem.** Ineffective implementation of Ukrainian model of social market economy and the negative impact of internal and external factors led to a decline in production of real sector of economy of Ukraine, the poor state of social sphere – science, education, health and culture. Experience shows that many problems of social and economic imbalances emerged in the monetary sector, and later spread nationwide. Therefore, research of trends of the real sector of the economy from the standpoint of stabilizing the financial relations is one of the most acute and large-scale problems.

### Analysis of recent research and publications.

Among Ukrainian and Russian scientists who investigated the characteristics and problems of formation of optimal financial relations, and analyzed their impact on the characteristics of macroeconomic stabilization and economic development, are the works of Alexeeva I. V., Vasylyk O. D., Vovchak O. D., Krupka M. I., Lisitzkyy V., Lunina I. O., Lyutyty I. O., Lyovochkin S. V., Nosov A. Yu., Oparin V. M., Savluk M. I., Sutormina V. M., Fedosov V. M., Filipenko A. S., Shevchuk V. O., Yuriy S. I. etc.

**The aim of the article.** The aim of the study is justification of criteria (evaluation parameters) of evaluating the stability of the state financial relations and,