

ACCOUNTING IN UKRAINE: TODAY'S CHALLENGES

Lyubov Shevchenko¹, Maryna Shendryhorenko², Vira Shepeliuk³

¹Ph.D. (Economics), Associate professor, Associate Professor of the Department of Management and Finance, Mariupol State University, Kyiv, Ukraine, e-mail: l.y.shevchenko@mu.edu.ua, ORCID: <https://orcid.org/0000-0003-2188-1735>

²Ph.D. (Economics), Associate professor, Associate Professor of the Department of Management and Finance Mariupol State University, Kyiv, Ukraine, m.shendryhorenko@mu.edu.ua, ORCID: <https://orcid.org/0000-0002-5841-6784>

³Ph.D. (Economics), Associate Professor, Department of Accounting, Taxation, Public Administration and Administration, Kryvyi Rih National University, Kryvyi Rih, Ukraine, e-mail: shepeliuk@knu.edu.ua, ORCID: <https://orcid.org/0000-0001-6270-5936>

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Abstract. The ongoing military conflict in Ukraine has inflicted significant damage on the nation's infrastructure and economy, disrupting traditional business operations and necessitating a reevaluation of accounting standards and practices. This disruption highlights the critical role of accounting in assessing damage, supporting recovery efforts, and adapting to a rapidly changing economic environment. As such, understanding the modifications and challenges in accounting during this period is essential for ensuring business continuity and aiding national recovery. This article aims to analyze the organizational, legislative, and regulatory changes in accounting and financial reporting practices in Ukraine during the conflict. It seeks to evaluate how these adaptations address the specific needs of businesses operating under crisis conditions and contribute to sustaining economic activity during periods of instability. The study employs a combination of general scientific methods including analysis and synthesis, induction and deduction, and theoretical generalization. A comprehensive review of recent legislative acts and modifications to the Ukrainian accounting framework provides a detailed understanding of the current accounting landscape and its evolution in response to the conflict. The findings reveal significant legislative adaptations that have simplified tax systems, reduced tax rates, and introduced exemptions aimed at alleviating the burden on businesses. Additionally, the establishment of emergency-specific accounts for recording the financial impacts of the conflict has enhanced the clarity and accuracy of financial reporting. These changes have not only facilitated the immediate survival of businesses but also laid the groundwork for future economic stability and recovery. Looking forward, continuous adjustments and updates to accounting standards will be crucial as the situation in Ukraine evolves. Future research should focus on the long-term effectiveness of these adaptations and explore further modifications to support the resilience and recovery of the Ukrainian economy. The development of robust accounting practices remains a cornerstone of economic recovery and sustainability, serving as both a record of the impacts of the conflict and a foundation for rebuilding efforts. By documenting and analyzing these changes, this article contributes valuable insights into the role of accounting in crisis management and recovery, providing a resource for academics, practitioners, and policymakers involved in navigating and overcoming the challenges posed by the conflict in Ukraine.

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Introduction. Russia's military aggression against Ukraine brought devastation, terrible suffering and trials to millions of civilians, and affected our country's economy and financial system.

The amount of damage to Ukraine's infrastructure due to the war as of January 2024 reached almost 155 billion dollars. This estimate also takes into account the damage caused to Ukraine due to the detonation of the Kakhovskaya HPP by the aggressor country on June 6, 2023.

It is noted that the housing fund remains in first place in terms of the amount of losses. As a result of hostilities and regular shelling, the number of damaged and destroyed residential buildings is over 250,000 buildings. Of them, there are 222,000 private houses, more than 27,000 multi-apartment buildings and 526 dormitories. Direct damages from the destruction of these objects are estimated at 58.9 billion dollars. Donetsk, Kyiv, Luhansk, Kharkiv, Chernihiv and Kherson regions are among the regions where the most destroyed residential buildings were recorded.

At the same time, the damage caused to the infrastructure reached 36.8 billion dollars, the losses of industry and enterprises - at the level of 13.1 billion dollars. According to the latest data, 78 small, medium and large private enterprises, as well as 348 state enterprises, were destroyed or damaged.

Also, due to hostilities, the amount of direct losses from the destroyed infrastructure of the energy sector continues to grow - up to 9 billion dollars, and the agro-industrial complex - 8.7 billion dollars.

In addition, as of the beginning of this year, the losses of housing and communal services have increased - 4.5 billion dollars. and health care - \$3.1 billion.

It is possible to create conditions for the recovery of what has been lost, realize new opportunities, and solve today's problems only by relying on the main source of information - accounting and financial reporting.

The main principles of accounting at the enterprise are:

- full coverage;
- autonomy;
- sequence;
- continuity;
- accrual;
- predominance of essence over form;
- a single monetary measure.

In the conditions of martial law, not all principles can be observed by the enterprise. Business continuity is one of the main principles of accounting and financial reporting of Ukrainian enterprises, according to which the enterprise is considered as one that will continue its activities in the near future. But the state of war dictates its terms to us, and there are no guarantees of continuity of activity in Ukrainian enterprises. Therefore, today's big challenge is the ability to ensure the continuation of accounting activities at the enterprise. Without accounting, no enterprise can exist, therefore, state support is needed in the form of appropriate legislative acts to refute accounting, reporting and reducing the tax burden on taxpayers.

During the martial law, there were many changes in the legislative base of Ukraine, namely:

- business entities can apply for the application of the simplified tax system at the rate of 2% of income online. In addition, in the Diya mobile application, you can submit the declaration of the payer of the single tax of 2% and pay it;
- all entrepreneurs are exempted from paying state tax for themselves during the period of martial law and 12 months after its end;
- during the period of martial law, there are no fines for late payment of taxes and submission of reports;
- taxpayers, on whose territory hostilities were conducted, are exempted from land tax, environmental tax and real estate tax.
- reduction of the single tax rate from 5% to 2%.

At the same time, the restrictions for staying at a reduced rate with respect to the maximum amount of income in the amount of up to UAH 10 billion for the FOP of group 3 were removed by the Law of Ukraine "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the peculiarities of taxation and reporting in the period actions of martial law";

- mobilized entrepreneurs or military service entrepreneurs are completely exempt from the tax burden, as well as the obligation to submit a VAT tax return.

Changes in the legislative base are reflected in both wartime and pre-war legislative acts, but expanded or amended.

New legislative acts include:

- Order of the Cabinet of Ministers of Ukraine "On ensuring the implementation of calculations of enterprises, institutions, organizations in conditions of martial law" dated March 11, 2022 No. 212;
- Explanation of the Cabinet of Ministers of Ukraine "Regarding the procedure for the action of the complaint on the review of the decisions of the controlling bodies" dated 05.03.2022;
- Notification of the Ministry of Finance of Ukraine "Regarding the submission and publication of financial statements during the period of martial law or a state of war" dated March 11, 2022;
- Letter of the State Tax Service of Ukraine "Main innovations provided for by the Law of Ukraine dated 05.12.2022 No. 2260" dated 05.27.2022;
- Clarification of the State Tax Service of Ukraine "Regarding implementation of state control (supervision) and monitoring in the sphere of pricing" dated May 2, 2022;
- Clarification of the Ministry of Finance of Ukraine "Clarification regarding the application of fines for late registration of PN/RK, compiled for the period from May 1 to 31, 2022" dated June 10, 2022;
- Law of Ukraine "On Amendments to the Law of Ukraine "On Accounting and Financial Reporting" dated July 19, 2022 No. 2435-IX.

Business transactions by enterprises in a state of war have their own specifics, and accounting methods must ensure compliance with the basic principles of accounting in accordance with the legislation of Ukraine.

The realities in which Ukraine finds itself, starting from February 24 and until the end of martial law, are extraordinary. Business activity has undergone significant changes. Many entrepreneurs were forced to leave their homes, some went abroad, some moved to safer regions. That is, new circumstances have arisen for the

termination of the activities of many enterprises, the termination of the usual schemes of activity, logistics, and so on. All these circumstances created new challenges in accounting, that is, accounting in emergency situations.

An emergency situation - a situation in a separate territory or economic entity on it or a water body, which is characterized by a violation of the normal conditions of life of the population, caused by a catastrophe, accident, fire, natural disaster, epidemic, epizootic, epiphytotic, the use of means of destruction or other dangerous an event that led (may lead) to a threat to the life or health of the population, a large number of dead and injured, causing significant material damage, as well as to the impossibility of the population living in such a territory or object, carrying out economic activities there [4].

A state of emergency is a special legal regime that can be temporarily introduced in Ukraine or in some of its localities in the event of emergency situations of a man-made or natural nature not lower than the national level, which have led or may lead to human and material losses, pose a threat to life and health citizens, or in the event of an attempt to seize state power or change the constitutional system of Ukraine by means of violence and provides for the provision to relevant state bodies authorities, military command and local self-government bodies, in accordance with this Law, the powers necessary to avert the threat and ensure the safety and health of citizens, the normal functioning of the national economy, state authorities and local self-government bodies, the protection of the constitutional order, and also allows temporary, conditioned a threat, restrictions on the exercise of the constitutional rights and freedoms of a person and a citizen and the rights and legitimate interests of legal entities with an indication of the period of validity of these restrictions [1].

Types of emergency situations, depending on the nature of the origin of the events that may lead to the emergence of emergency situations on the territory of Ukraine:

- man-made;
- of a natural nature;
- social;
- military.

Levels of emergency situations depending on the amount of consequences caused by the emergency situation, the amount of technical and material resources required for their elimination:

- state;
- regional;
- local;
- object.

Due to russia's armed aggression against Ukraine, many challenges in accounting have arisen and continue to exist:

- reflection in the accounting of humanitarian aid provided to Ukraine by the vast majority of the civilized world;
- provision by enterprises of assistance to the army or other structures involved in the protection of the country and its population;
- inventory and assessment of property located in the occupied territory; documentation of write-off of property lost and damaged as a result of hostilities;

determination of losses from such events; organization of property accounting of enterprises located in the occupied territory, etc.

During the period of martial law, many methods for solving the problems of accounting for the consequences of emergency situations, including hostilities and the occupation of territories, were substantiated.

In our opinion, now is the time to return to the already familiar classification of activities in accounting, namely the presence of "extraordinary activities" in it. We suggest including subaccount 794 "Results of extraordinary activity", subaccount 978 "Expenses of extraordinary activity", 751 "Income of extraordinary activity" in the Chart of accounts of accounting, and also display information about the consequences of emergency situations in form 2 "Report on total income".

Literature review. Many Ukrainian and foreign scientists studied the theoretical and legal foundations of accounting and taxation in Ukraine during the war. Among them are D. Hrytsyshen (2016) and K. Polyak (2017).

Thus, D. Hrytsyshen developed methodological approaches to the accounting display of transactions with property in the occupied territories, substantiated the need to carry out inventory procedures during the identification of damage to non-current and current assets; an evaluation procedure is proposed to reflect the impact of emergency situations on accounting objects and others.

L. G. Lovinska, A. V. Ozeran, R. S. Korshikova in the article "Accounting and financial reporting in the conditions of martial law in Ukraine" clearly defined that the regulatory and legal support of accounting in Ukraine creates all the necessary conditions for reliable reflection of the financial and economic condition of enterprises in the conditions of armed aggression of the Russian Federation.

Aims. The purpose of the article is to study the organizational and legislative and regulatory aspects of accounting and taxation of business activities in the conditions of Russian aggression.

Methodology. The research used a set of general scientific methods: analysis and synthesis, induction and deduction, theoretical generalization, grouping and classification, logical generalization, comparative comparison.

When studying the peculiarities of accounting in the conditions of martial law at enterprises, methods of logical generalization were used. Using methods of concretization and systematization, proposals were developed based on the results of the study of accounting under martial law.

Results. The introduction of martial law in Ukraine significantly affected the accounting procedure. The great challenge of today's enterprises of Ukraine is the ability to ensure accounting in general, therefore, to support enterprises during the period of martial law, voluntary payment of a single tax was introduced, exempted from paying ESS for themselves and for mobilized workers, the EE rate was reduced from 5% to 2% for the third group of single tax payers, etc.

Also, a moratorium was introduced on fines for untimely submission of reports and payment of taxes, as well as the charging of fines and the implementation of planned and unplanned measures of state supervision (control) and state market supervision for the period of martial law. In order to support employers whose employees were subject to general mobilization or joined the ranks of the Armed

Forces voluntarily, the state has developed a mechanism for compensating employees. In addition, the procedure for calculating the average salary of mobilized workers has undergone changes, by excluding from the calculation period days for which there is no data on the accrued salary.

During the period of martial law, many methods for solving the problems of accounting for the consequences of emergency situations, including hostilities and the occupation of territories, were substantiated.

We propose to introduce the concept of "emergency activity" and operations related to military actions to be displayed on subaccount 794 "Results of emergency activity", subaccount 978 "Expenses of emergency activity", 751 "Income of emergency activity" and also to be displayed in form 2 "Report on aggregate income" information about the consequences of emergency situations (Table 1).

Table 1. Proposals for changes to the Chart of Accounts

Existing Chart of Accounts		Changes to Chart of Accounts	
Class 7. Income and results of activity			
74 Other income	740 - Income from changes in the value of financial instruments	74 Other income	740 - Income from changes in the value of financial instruments
	741 - Income from realization of financial investments		741 - Income from realization of financial investments
	742 - Income from asset recovery		742 - Income from asset recovery
	744 - Income from non-operational exchange rate difference		744 - Income from non-operational exchange rate difference
	745- Income from assets received free of charge		745- Income from assets received free of charge
	746 - Other income		746 - Other income
75	-	75 Income of emergency activity	751 "Income of emergency activity"
79 Financial results	791 - Result of operational activity	79 Financial results	791 - Result of operational activity
	792 - The result of financial operations		792 - The result of financial operations
	793 - The result of another ordinary activity		793 - The result of another ordinary activity
	-		794 "Results of emergency activity"
Class 9. Activity costs			
97 Other expenses	970 - Costs from changes in the value of financial instruments	97 Other expenses	970 - Costs from changes in the value of financial instruments
	971 - Cost of realized financial investments		971 - Cost of realized financial investments
	972 - Losses from impairment of assets		972 - Losses from impairment of assets
	974 - Losses from non-operational exchange rate differences		974 - Losses from non-operational exchange rate differences
	975 - Depreciation of non-current assets and financial investments		975 - Depreciation of non-current assets and financial investments
	976 - Write-off of non-current assets		976 - Write-off of non-current assets
	977 - Other activity costs		977 - Other activity costs
	-		978 "Expenses of emergency activity"

Discussion. The research outlined in this article underscores the profound impact of ongoing military aggression on the accounting and financial reporting landscape in Ukraine. As the conflict disrupts traditional business operations and economic activities, it necessitates a reevaluation of established accounting principles to address the unique challenges posed by the war environment. The data reveal not only extensive material damage but also significant disruptions to enterprise continuity, emphasizing the importance of adaptive legislative responses and accounting practices to manage these unprecedented conditions.

The adaptation of accounting standards and the introduction of emergency-specific accounts, such as "Results of emergency activity," reflect an urgent need to document and address the financial ramifications of the conflict accurately. These changes facilitate a more structured approach to capturing extraordinary expenses and incomes, providing clarity and accountability in financial reporting during times of crisis. This is particularly critical in ensuring that enterprises can maintain operations, assess damages, and receive appropriate aid and reconstruction support.

Furthermore, the legislative amendments aimed at reducing the tax burden and simplifying reporting requirements for businesses demonstrate the government's recognition of the challenges faced by enterprises. By allowing businesses to operate under a simplified tax regime and waiving certain taxes and penalties, the Ukrainian government is providing much-needed relief to entrepreneurs and businesses, thus supporting the broader economic stability during the conflict.

These findings underscore the resilience and adaptability of Ukrainian enterprises and their accounting systems in the face of adversity. However, the situation remains fluid, with ongoing conflicts likely to further influence the economic landscape and, consequently, accounting practices. The need for continuous research and adaptation of accounting standards is evident, as these will play a crucial role in the post-war recovery and rebuilding efforts.

While the conflict presents significant challenges to accounting practices in Ukraine, the evolving legislative and operational adjustments provide a framework for resilience and recovery. Continued attention to and support for these adaptations will be essential in navigating the complexities of wartime economics and laying the groundwork for eventual recovery and growth. Future research should thus focus on the long-term impacts of these changes and their effectiveness in supporting the sustainability and recovery of Ukrainian businesses and the national economy.

Conclusion. The ongoing conflict in Ukraine presents unprecedented challenges to the field of accounting and financial reporting, necessitating significant adaptations and reforms to meet the evolving needs of businesses under duress. This article has highlighted the extensive damages inflicted on infrastructure and the economy, underscoring the critical role of accounting as a tool for documentation, assessment, and recovery planning. Through the analysis of legislative changes and the implementation of adapted accounting practices, it is evident that accounting is not merely a function of business but a fundamental component of national resilience and recovery.

The introduction of simplified tax regimes, exemptions from certain taxes, and adjustments to financial reporting requirements are pragmatic responses that support

the continuity of businesses during these turbulent times. Moreover, the proposed inclusion of emergency-specific accounts in the Chart of Accounts is a testament to the flexibility and responsiveness of the Ukrainian accounting framework in the face of crisis.

As Ukraine continues to navigate through the repercussions of the conflict, the adaptability and robustness of its accounting systems will be paramount. The journey ahead will require sustained innovation in accounting practices, continued legislative support, and comprehensive research to ensure that accounting remains a cornerstone of economic stability and recovery. This research not only contributes to the academic field but also serves as a critical guide for policymakers and practitioners as they work towards rebuilding a stronger, more resilient Ukraine. The enduring spirit of the Ukrainian people and their resolve to overcome adversity is reflected in these efforts to maintain rigorous and responsive accounting standards, signaling hope and determination for the future.

Author contributions. The authors contributed equally.

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