**ACCOUNTING FOR STOCKS: INTERNATIONAL PRACTICE AND DOMESTIC EXPERIENCE**

**Z.D.Ovcharyk,** Ph.D. Economics., Associate Professor at the Department of accounting, analysis and audit the National University of Life and Environmental Sciences of Ukraine of the «Nizhyn Agrotechnical Institute»

Integration into the global economic system has become the reason for the widespread use of accounting information. Formation of a market economy in Ukraine requires fundamental changes in the management and system of accounting methods. Reserves are a significant part of assets, they play a special role being part of the property and having a dominant position in the cost structure of enterprises of various activity spheres, thus the question about the effectiveness of their accounting is still a problem of today.

Definition of the term «reserves» differs in different countries. Each foreign company has stocks inventory, regardless of the scope of its activities. In the balance sheet they are presented as one article – «Reserves/ Inventories». In international practice, there is no consensus on the interpretation of the terms «current assets», « inventory».

Inventories – are assets: held for sale in the ordinary course of business activities, are in the process of production for such sale or are in the form of materials or supplies to be consumed in the production process or in services.
 The staff of inventories includes tangible assets held for sale or production of goods and services. Since during one year they become cash reserves, they belong to current assets. In foreign companies an account «reserves» is divided into several accounts of the second order, each of which is designed to account for certain type of inventory.

The term «reserves» according to national P(S) A9 «Inventories» (P(S) A9 2009) is – assets, which: 1) are stored for subsequent sale in the ordinary course of business activities, 2) are in the process of production for the purpose of further sales of the product, 3) are held for use in the production, execution phase and services, and enterprise management. Economist Yu. Belyaev [Belyaev 1999] gives the following definition of the inventory: it is subject of labor that in the process of production turns into certain products, or finished products made for personal consumption or industrial use. This definition is incomplete because the stocks according to P(S) A 9 besides subjects of labor and the finished product include stocks that are in the process of production, which is work-in-process and inventories kept for further sale, i.e. goods. Furthermore, according to this standard inventory includes current biological assets and agricultural products as well, if their assessment is carried out according to P(S) A. This definition is given in the works of Tkachenko N. (Tkachenko 2004). In their works Chebanova V. and Vasilenko Yu. (Chebanova, Vasilenko 2002) pay more attention to the functional side of inventories, in the definition given by them inventories are material resources (capital goods, consumer goods, other assets) necessary for the expanded reproduction and maintenance and service of material production and satisfaction of needs of the population that are stored in warehouses or other places for their next use. Scientists call inventories material resources. We believe it impossible to confirm it, because the concept «material resources» is broader than the term «commodity inventories» and «reserves». We can hardly agree as well with the statement that the material resources are capital goods including means of labor and objects of labor (Butynets’ 2001) because they include also the capital and current biological assets, and goods of agricultural production do not belong to material resources (Khmelevskiy 2007).

Thus, the broadest term is «reserves» that can be identified with the term «inventories». We consider commodity inventories composed of stocks and productive reserves are part of the inventories. If in P(S) A9 we found a definition not only of the term «reserves», but also «productive reserves», «commodity stocks», «material resources», thus we would find a common approach to these economic categories.

Inventory holdings (IH) in accordance with the principle of cost recovery are to be accounted at their original (historical) cost at the time of purchase. Most companies take for the cost of purchased goods only their net value (i.e. price according to accounts).

International assessment standards provide general concepts used to evaluate the property and reflect it in the financial statements. This means: the market is a system in which goods are transferred from the seller to the buyer through the price mechanism; price is a certain amount of money required, assumed or paid for the goods; the cost is the price paid for that product, or the amount necessary for its production (Ogiychuk 2011).

Analysis shows that the inventory evaluation under the condition of market economy has become very complicated (Kovenko 2007). Comparison of different inventory evaluation methods at their disposal gives reason to believe that the least risky and easiest to use is the average cost method, but when using it payment system gets complicated and control over the accuracy of cancellation of materials on production costs is weakened. With relatively stable economic situation choice of inventory evaluation method at their disposal does not play a big role. The choice of the method has a significant influence and has to be taken into account under the condition of stocks prices changes. In all cases, the faster the received inventories are dispensed into production, the smaller the difference in their assessment of the application of this or that method is. It should be remembered that, drawback may be in any way of stock assessment.

Thus, we believe that in the current economic situation that is constantly changing it is necessary to consider the positive and negative consequences of using of each of inventories evaluation method.