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*Valentyn Nekhai***DISCLOSURE OF TRANSACTION EXPENDITURE
IN FINANCIAL AND MANAGEMENT REPORTING***Валентин Нехай***ВІДОБРАЖЕННЯ ТРАНСАКЦІЙНИХ ВИТРАТ
У ФІНАНСОВІЙ ТА УПРАВЛІНСЬКІЙ ЗВІТНОСТІ***Валентин Нехай***ОТОБРАЖЕНИЕ ТРАНСАКЦИОННЫХ ИЗДЕЖЕК
В ФИНАНСОВОЙ И УПРАВЛЕНЧЕСКОЙ ОТЧЕТНОСТИ**

The absence of fundamental generalizations of theoretical developments on accounting problems did not allow the regulation and development of accounting in Ukraine to provide the necessary methodological orientation.

Blind copying of schemes and models of Western accounting - this is a path that pleases its illiteracy, on which the scientific accounting community cannot step.

Grygory Kyreytsev ¹

The article considers and analyzes the existing views of domestic and foreign scholars on the category of transaction costs, starting from the founders of the institutional theory, the neoclassical theory, and the modern view of the scholars.

The issue of the feasibility of using the category of transaction costs in the theory and practice of accounting, their reflection in the registers of accounting, financial and managerial reporting is considered. The main factors that complicate the use of transaction costs in the theory of accounting, and especially their reflection in the financial statements, are determined.

Keywords: transaction costs; accounting theory; globalization; Coase theorem.

Table: 1. References: 13.

У статті розглянуто та проаналізовано існуючі погляди вітчизняних та зарубіжних науковців щодо категорії транзакційних витрат, починаючи від засновників інституціональної теорії, неокласичної теорії та до сучасного бачення науковців.

Розглянуто питання доцільності використання категорії транзакційних витрат у теорії та практиці бухгалтерського обліку, відображення їх у регістрах бухгалтерського обліку, фінансовій та управлінській звітності. Визначено основні фактори, що ускладнюють використання транзакційних витрат у теорії бухгалтерського обліку, а особливо відображення їх у фінансовій звітності.

Ключові слова: транзакційні витрати; теорія бухгалтерського обліку; глобалізація; теорема Коуза.

Табл.: 1. Бібл.: 13.

В статье рассмотрены и проанализированы существующие взгляды отечественных и зарубежных ученых относительно категории транзакционных издержек, начиная от основателей институциональной теории, неоклассической теории и современным видением ученых.

Рассмотрены вопросы целесообразности использования категории транзакционных издержек в теории и практике бухгалтерского учета, отражение их в регистрах бухгалтерского учета, финансовой и управленческой отчетности. Определены основные факторы, затрудняющие использование транзакционных издержек в теории бухгалтерского учета, особенно отражение их в финансовой отчетности.

Ключевые слова: транзакционные издержки; теория бухгалтерского учета; глобаллизация; теорема Коуза.

Табл.: 1. Библ.: 13.

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Target setting. The growth of the economy is the result of specialization and labor distribution, the use of the latest technologies, which requires updating the professional competencies of specialists of different levels, making managerial decisions. The production and sale of competitive products requires constant study of the demand and the search for sources of financing for the application of the latest technologies. All this necessitates the fuller use of management,

¹ Kyreytsev Grygory Gerasymovych – Doctor of Economics, Professor, Honored Worker of Education of Ukraine, Honored Professor of the National Agrarian University (National University of Bioresources and Natural Resources of Ukraine), Honorary Professor of the Bryansk State Agricultural Academy, Honorary Professor of Zhytomyr State Technological University, Honorary Doctor of Vinnitsa National Agrarian University, Full Member of the Russian Academy of Natural Sciences, Corresponding Member of the International Academy of Agrarian Education, Honorary Member of the Federation of Auditors, Accountants and Financiers of Ukraine.

both at the macro level and at the level of individual economic entities, qualitative accounting and analytical information, and the application of adequate economic management methods.

Actual scientific research and issues analysis. Works of the following researches are devoted to the issues of transaction costs, namely: D. Allen, O. Williamson, T. Eggertsson, J. Commons, R. Coase, G. Kleiner, C. Menard, P. Milgrom, D. North, J. Walls.

A lot of attention has been paid to the cost accounting in domestic and foreign accounting science and practice. The domestic researchers contributed significantly to the development of issues of theory and methodology of accounting for production costs: A. S. Borodkin, F. F. Butynets, S. F. Golov, Z. V. Zadorozny, G. G. Kireytsev, Ya. D. Krupka, M. V. Kuzhelny, A. M. Kuzminsky, V. G. Linnyk, M. S. Pushkar, V. V. Sopko, N. G. Chumachenko and others. Some issues of the economic nature of transaction costs were considered in their works by V. M. Zhuk, G. G. Kireytsev, M. S. Pushkar and others.

Uninvestigated parts of general issue defining. A lot of works of scientists and practitioners on economic theory for nearly a century have been devoted to interpretation of the category "transaction costs", but today there is no single approach to the definition of this category, and even the issue of the possibility and expediency of the use of this category in the theory of accounting remains unsolved.

Purpose of the article. The main purpose of this work is a retrospective analysis of the scholar's scientific views on the interpretation of the category "transaction costs" and the justification of the feasibility of using this category in the theory and practice of accounting.

Statement of the main material. Today, the theory and practice confirm a significant impact on the efficiency of business activities of information resources, including accounting and analytical information. Taking into account the above, the attitude towards the selection of classification characteristics of the objects of accounting, the increase of the professional level of accountants and the intellectualization of the accounting science changes.

In order to provide globalist interests, the principles of formation of accounting information change: the order of its collection, processing, storage, provision and use. The availability of information in the financial statements becomes more transparent, but the understanding and use of analytical accounting data through aggregation of financial reporting indicators becomes limited and prevents transparency of economic processes.

Knowledge of the factors that determine such changes creates objective needs for updating the accounting methodology and practice improvement, which would meet modern needs of planning, control, economic analysis and management, based on unused functions of accounting and economic information, both internal and external.

Considering and assessing the state of accounting at the onset of global economic transformations in Ukraine, it can be argued that its model as an information system in the system of local economy management was self-sufficient. The formation of a new national accounting system in Ukraine was launched suddenly. The main professional forces of accounting professionals were almost not involved. The goal, logic, time and algorithm for carrying out the necessary transformation measures were not sufficiently substantiated [1].

Adoption of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and subsequent changes, the enactment of P (c) BO, and then NP (c) BO led to revision of the accounting methodology: the transition from a static model to a dynamic one. In this connection, there are attempts to substitute interpretations of such categories as "expenditures", "income", "cost", "assets", etc. In addition, the methodological principles of computing indicators, the structure and content of financial statements change.

One such issue is accounting for transaction costs.

At the end of the 1920's, the economic system of the leading capitalist countries reached a high level of complexity, and the mechanisms of market self-regulation did not work in this

situation. The rapid pace of development and deep economic imbalances had led to an “overheat” of the US economy. On the “Black Tuesday” (October 29, 1929), collapse of the New York Stock Exchange took place, and how do Western scholars interpret it, this has begun the most brutal economic world crisis of overproduction. Intervention by the state was needed to ensure sustainable economic and social development.

The 30s and 60s of the last century were the time when most of the academic economists both in the United States and in Europe were sympathetic to one or another of the currents of epatytist² character: from socialism to Keynesianism.

At that time, the ideas of classical European liberalism were shared only by a small number of intellectuals. Economists who opposed government intervention felt themselves outsiders. Friedrich August von Hayek, Nobel Prize winner (1974), wrote that during these years, “very few people left which were not socialists”.

In 1962, M. Friedman published the book *Capitalism and Freedom*, in which he proved the need to increase economic freedom and reduce the role of the state in the economy, and also emphasized the connection between economic and political freedom. With this work, M. Friedman launched massive propaganda to reduce the role of the state in the economy.

The current state of the world economy shows the failure of market mechanisms to overcome the challenges of modern complex socio-economic processes. Most of the global problems of modern society can not be effectively solved with the help of only market mechanisms.

In Neoclassic, the role of the state is interpreted on the basis of the principle “The state must do only what the market cannot do”. In accordance with this thesis, the state must compensate for the “market fiasco” and perform the following six main functions:

- 1) production of “public goods”;
- 2) regulation of “natural monopolies”;
- 3) elimination of excessive social inequality;
- 4) protection of society from “external factors”;
- 5) support for macroeconomic stability;
- 6) smoothing the economic cycle.

This is a minimal list of what the state should do, while it is important that the state intervention does not exceed the critical threshold, after which the weakening of the market mechanism and the effectiveness of the whole economy arises [2, p. 92-93].

The increased attention to neo-institutionalism has recently been linked with the rethinking of the role of a number of institutes in the economy, and in particular the state. The history of the development of economic thought suggests the search for a theory that would explain the unpredictability of the individual's behavior in the context of limited resources and introduced the world as an institutional environment in a four-dimensional space: individual – market – production costs – transaction costs.

Neo-institutionalists argue that aggregate production costs consist not only of transformation costs (costs of processing inputs into the finished product), but also of transaction costs, which are based on the cost of collecting information [2, p. 305].

Let's consider the interpretation of transaction costs by individual scientists in different periods of time (Table).

² Ethatism, staticism (originated from French *État* or English *State* – state) – is a direction of political thought, which considers the state as the highest result and the goal of social development.

Table

Definition of the concept of transaction costs by scientists

Author	Concept of transaction costs
J. Commons, 1934 [3]	Expenses related to the alienation and assignment of property rights created by the society.
R. Coase, 1937 [4]	The cost of using the price mechanism. Costs for the provision and organization of agreements on the management of factors of production and the finished product, which are carried out both on the market and inside the enterprise.
D. Wallis, D. North, 1986 [5]	The cost of assessing the useful properties of the object of exchange and the cost of ensuring rights and enforced compliance.
K. Arrow, 1993 [6]	Costs on operation of the economic system.
T. Eggertsson, 2001 [7]	Costs that arise when individuals exchange property rights for economic assets and provide their exclusive rights.
E. Furubont and R. Richter 2005 [8]	A set of all costs associated with the creation or modification of the institution and organizations.

Thus, we can conclude that, despite the various interpretations of the category of transaction costs, they are all explicitly or implicitly treated as costs associated with the transfer of property rights, the interpretation of which is also ambiguous.

To determine property rights in Rome, the term "dominium", and from the end of the republican period – "propretas" was used [9, p. 78.].

Roman lawyers noted that the owner had the following powers regarding his thing: the right to use (uti); the right to collect fruit (frui); right of disposal (abuti) [10, p. 91].

In the practice of Western countries, the economic theory of property rights has been recognized. In the opinion of the supporters of this theory, any agreement – is the exchange of two "bundles" of rights to some object of ownership. The breadth of the set of property rights depends on the customs, traditions and norms legally issued by the law of the country. In 1961, the English lawyer A. Honoré included in the "bundle" of property rights the following relations:

- 1) the right to own (possession of property, which allows to realize the whole "bundle" of rights);
- 2) the right to use (personal use of things);
- 3) the right to dispose (management);
- 4) the right to income from the use of property (personal use of the thing or the permission of others to use it);
- 5) the right to capital value (the right to alienate, consume, change or destroy things);
- 6) the right to security (protection against expropriation);
- 7) the right to inherit it;
- 8) the right to termless ownership;
- 9) the right to prohibit the harmful use of property;
- 10) the right to charge for the ineffective use of property (the possibility of seizing the thing, the goods to pay the debt);
- 11) the right to expect the "natural" return of the transferred property rights upon expiration of their term or in case of violation of the terms of the contract [11, p. 112–128].

In the 60s of the last century, R. Coase proved the theorem that in the absence of transaction costs, the parties can agree with each other and provide the optimal, in terms of society, distribution of property rights without state intervention [12]. But today there is no unambiguous relation to the theorem of R. Coase, but this theorem raised the issue of understanding the definition of property rights and zero transaction costs.

The most famous classification of transaction costs is the classification of T. Eggerterson [7], according to which transaction costs include:

- costs on information search;
- costs on negotiations conducting;

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- costs on agreements concluding;
- monitoring costs related to tracking the performance of the contract by each of the entities, they have concluded it;
- coercive expenses (defense costs against opportunistic behavior);
- expenses for the protection of property rights.

According to the survey of Pew Research Center³, which took place from February 16 to May 8, 2017 (41 953 respondents from 38 countries of the world were interviewed), among the global threats to national security in the world, Japan has highlighted cyber threats in the first place, while in the US, Germany and Great Britain cyber threats have taken second place in the ranking after IDIL.

Modern information society creates new problems in the activities of business entities, connected, to a greater extent, with the search for information, and its protection.

The possibility of external and internal interference in the automated information system of an enterprise may affect the distortion of such information parameters as confidentiality, integrity, availability, reliability, etc. This, in turn, can lead to the following negative consequences at the enterprise:

- failures in the functioning of control systems of technological and managerial processes;
- disclosure of information constituting commercial and other types of secrets;
- violation of the reliability of financial statements;
- unauthorized access to the database of the enterprise;
- distortion of public information, etc.

The result of information distortion about the company's activities may be:

- reduction of the cost of the enterprise capital;
- difficulties in attracting investments;
- the break (or deterioration) of business relations with partners;
- failure of negotiations, loss of profitable contracts;
- non-fulfillment of contractual obligations;
- rejection of decisions that have become ineffective due to the dissemination of information;
- lower prices or sales volumes;
- damage to the authority and business reputation of the firm;
- more stringent conditions for obtaining loans;
- difficulties in supplying and purchasing equipment, etc.

In certain situations, neglecting of information protection issues can lead to a complete loss of business [13].

Therefore, in our view, the costs of protecting information should be included in transaction costs.

Most supporters of the theory of transaction costs did not pay attention to studying the issue of property rights and their impact on the economic activity of business entities. An analysis of the role of property rights in the functioning of markets has been an impetus for a return to an institutional economy that is capable of reducing the uncertainty of the economic environment, due to stable rules of conduct.

Unlike the neoclassical direction that investigated production costs, institutionalism has not yet been able to deduce transaction costs at that level of knowledge that would allow them to be used to the same extent as using production costs.

Conclusions and propositions. The complexity of measuring (evaluating) the properties, functions, conditions of using transaction costs in financial accounting is due to the following factors:

- lack of a single approach to determining the category of transaction costs;
- production and transaction costs are functionally dependent, it is very difficult to establish a line between production and transaction costs when assessing transaction costs;

³ <https://regnum.ru/news/2306041.html>

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- most transaction costs are of an alternative nature, which involves analysis of alternative costs;

- evaluation and recognition of transaction costs are labor-intensive, which leads to increased costs.

Consequently, in our view, transaction costs are the prerogative of managerial accounting, which means that their allocation from the total cost is made by the decision of the management of the enterprise.

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Nekhai Valentyn – PhD in Economics, Associate Professor, Associate Professor of Department of Accounting, Taxation and Auditing, Chernihiv National University of Technology (95 Shevchenka Str., 14035 Chernihiv, Ukraine).

Нехай Валентин Анатолійович – кандидат економічних наук, доцент, доцент кафедри бухгалтерського обліку, оподаткування та аудиту, Чернігівський національний технологічний університет (вул. Шевченка, 95, м. Чернігів, 14035, Україна).

Нехай Валентин Анатолиевич – кандидат экономических наук, доцент, доцент кафедры бухгалтерского учета, налогообложения и аудита, Черниговский национальный технологический университет (ул. Шевченко, 95, г. Чернигов, 14035, Украина).

E-mail: valentin_nehai@meta.ua