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DEPRECIATION AS AN ECONOMIC CATEGORY, ITS ESSENCE AND REGULATORY SUPPORT

Annotation: The article considers the approaches of domestic and foreign economists to the definition of essence of depreciation as an economic category. The basic concepts of depreciation are investigated, the essence of depreciation and its functions in economic activity of the enterprises is specified.

Key words: depreciation, fixed assets, accounting, amortization

To carry out production activities, enterprises need to have fixed assets, or, in other words, means of labor. The fixed assets of the enterprise must provide appropriate material conditions for the economic activity of the enterprise, storage of the required amount of production stocks, transport, loading and unloading, packing and other preparatory operations related to the receipt and sale of products, services, labor and recreation, increasing the productivity of their work and the efficiency of the entire enterprise. The solution of these problems is facilitated by purposeful work on the formation of the volume and composition of fixed assets, the creation of the regime and conditions of their operation, maintenance in working condition and the choice of depreciation policy.

To reflect in the accounting of operation and use of fixed assets use the changes that occur with fixed assets as a result of depreciation (depreciation), current and capital repairs, improvement of fixed assets and revaluation and reduction of the usefulness of fixed assets.

The definition of "depreciation" is important for the organization of accounting for fixed assets. In accounting, "depreciation of fixed assets" means the write-off of the value of fixed assets to current production costs. In the economic sense, it is understood that, wearing out during operation, "the value of the newly created product fixed assets are transferred in parts by depreciation over their useful life" [1].

In order to clarify the nature of depreciation and amortization of health, and the role of these categories in modern economic conditions, it is necessary to analyze and summarize the economic literature and experience of domestic and foreign economists.

Back in 1825, the problem of depreciation was considered. The English economist McCulloch, J. R., stated that depreciation is used by owners to invest new fixed capital in the business; put forward the theory that depreciation is a source of accumulation only in extended reproduction. This theory was refuted by K. Marx in his work "Theory of Value Added", where he noted that depreciation is a source of expanded reproduction not only for extended but also for simple reproduction [2].

In the Western economic literature, the concept of depreciation in itself is practically not covered due to its purely compensatory understanding.

For example, foreign scientists McConnell and Bru under depreciation understood "annual deductions that show the amount of capital consumed in the course of production in certain years. Depreciation is an accounting record that is intended to give a more accurate statement of income in the form of profit and, accordingly, the gross income of the company in each year" [3]. We can agree with this from a purely practical point of view, but from the point of view

of economic theory - this definition does not reflect the multifaceted role that depreciation plays in the cycle of fixed capital of enterprises.

Among other foreign scholars it is worth mentioning L. Bernstein, who also addresses the concept of depreciation purely in the development of methodological aspects of financial analysis, E. Domar (in his models of economic growth one of the factors is depreciation), M. Van Brad and K. Mattern [4, 5].

Russian scientist Koshkin pursued three goals, which are achieved in the calculation of depreciation:

1) reflection of the decrease in the initial cost of fixed assets, which gives an idea of the reality of their value;

2) accounting for depreciation of fixed assets when calculating the results of economic activity;

3) creation of a reserve for restoration and replacement of worn-out and broken equipment.

So Professor Koshkin understood depreciation as a reduction in the value of fixed assets. In his view, depreciation should be accrued regardless of the financial results of the period. The account on which depreciation deductions are accumulated is a contractual value that regulates the valuation of assets in the balance sheet.

The need to improve depreciation policy in Ukraine indicates scientist Fuchs in his work. He conducted a critical analysis of the attitude to the new depreciation system by scientists and business leaders. This analysis of the current depreciation system has revealed certain advantages and disadvantages of the depreciation system, which are contained in the accounting standard 7 "Fixed assets".

Economist V. Cooper views the company's depreciation policy as an integral part of national policy and points to a strong link with tax policy. This

connection, according to the author, allows the company to influence the amount of profit.

A review of the economic literature showed that aspects of the formation of depreciation policy in modern business conditions occupy a prominent place among the issues of organization and improvement of the accounting process at the enterprise.

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