

THE MECHANISM OF THE NET PROFIT DISTRIBUTION AND USAGE: ANALYTICAL APPROACH

The key condition of modern businesses performance is the development of theoretical and methodological principles of accounting for and analysis of the net profit formation and usage. The truthfulness and completeness of displaying transactions connected with various ways of its distribution according to the current legislation is based on the application of theoretically substantiated methodological ways of accounting. That's why scientific researches have to be concentrated on rendering trustworthy data on fair profit distribution among shareholders and employees to owners, in order to provide continual business activity.

Having received specific profit position the management personnel distinguishes the perspective ways of its usage and distribution. Fairly often, we interchange "distribution" to "usage". Though these concepts are absolutely different, as firstly profit is distributed and then, according to the separated ways (courses) is used.

Current law practice demonstrates that domestic enterprises pays little attention to issues of authenticity, timeliness and fullness of reflecting accounting data as for formation and usage of net profit. There were 230624 judicial conflicts among firms and tax policy during 2010-2013. Judicial conflicts concerned to such issues as: untimely payment of profits tax, understatement of profits tax liabilities, overstatement of profits and losses sums, breaking of keeping tax accounting, according to the requirements of tax legislation, enlisting wrong information to the Profits Tax Declaration of an enterprise, the procedure of paying advance calls (advanced instalments), repayment of overpaid sum of profits tax etc.

That's why problems of correct calculation of net profit, that should be distributed, the utilization of theoretically substantiated classification of revenues and expenses received from different kinds of activities, determination of profits' types, used by various users both inside and outside arise. For example, the owner needs information about the total size of net profit for estimation of the companies functioning effectiveness and further expansion, sums of profits got from different kinds of activities; the correctness of charge and payment of taxed part of profit for tax agents; the sum of net and distributed part for estimating the sum of dividends to be disbursed for shareholders; the data concerning the firm's stability, reliability, profitability for providing with salary is essential for employees.

According to the article 142 of the Business Code of Ukraine, the way of using retained earnings of business entity is determined by the its owner or authorized agent per current legislation and foundation documents. The mechanism of distributing the profit depends on the form of business ownership. State enterprises in compliance with the article 75 of the Business Code of Ukraine carry into practice obligatory utilization of retained earnings for formulating such funds as: amortization fund, the fund for production development, consumption fund (payroll fund), reserve fund and other ones. Consumption fund can be intended for repayment of expenses for social development of production, building of non-productive objects, health-care etc.

The Corporate Law determines the formation of reserve capital in the size indicated in foundation documents but not less than 25% of Owner's Equity by carrying out the annual deductions up to 5% of the net profit. Besides interest payments on loans and obligations, as well as other mandatory payments are made through the book profit usage. It's worth mentioning that according to the Corporate Law the joint stock companies implement the deductions to the reserve capital in the amount of 15% of the authorized capital by using 5% of net profit or retained earnings. Thus, reserve capital is used to cover debts as well as to pay dividends for preferred shares.

At the annual statutory meeting the decision concerning the distribution of net earnings shown in annual balance sheet should be made. This decision concerns the amount of net profit; the part of net profit paid in the form of dividends to the shareholders; sums of net profit deducted (kept back) to the reserve capital and other funds, provided by current legislation or created by decision of the annual statutory meeting, amount of net profit to be left undistributed.

After paying all taxes and fees, paying dividends, carrying out all other compulsory levies, net profit can be used for such own firm's gains as: payment simultaneously rewards and aids for those who retire on the pension and also rises in pension; performing expenses on free of charge the employees' meals or meals for privileged prices; establishing, mastering and adoption of new highly-technological devices; development of technological process and production organization; devices updating; improvement of goods' quality, interest payment on received loans; establishing various employees' inducement funds; funds for satisfying some social needs; realization of investment projects; expanding business activity (for example: new buildings construction).

We guess, that in their Order on Accounting Policies the corporations have to show such ways of distributing of net profit as: forming reserve capital; covering losses in case of selling own issued stocks; production development; social development; forming funds of employees' inducement funds.

The results of analyses of current methodological principles as for accounting for the net profit allows to draw a conclusion that ongoing principle does not permit to perform the informative function of accounting to the full extent and to control transactions concerning its distribution. We would like to suggest the variants of analytical accounting for the subaccount 443 "Profit, used in current year": 443.1 "Profit, used for the formation of reserved capital"; 443.2 "Profit, used for the dividend payment"; 443.3 "Profit, used for covering losses in case of selling own issued stocks"; 443.4 "Profit, used for production development"; 443.5 "Profit, used for social development"; 443.6 "Profit, used for forming employees' inducement funds".

Being applied into practice these suggestions allow to enhance the efficiency and analyticity of the accounting data, the degree of accounting information trustworthiness to control the ways of net profit distribution more effectively according to

the requirements of current legislation, foundational documents and accounting policy of an enterprise.

So, the mechanism of the net profit distribution and usage requires the following of the conditions of current legislation and providing with the successful firm functioning, full satisfaction of employees' and owners' needs. The availability of various abilities of profit utilization generates the problem of accounting reflection of business transactions towards to the current legislation. The perspectives of further researches may lay in the development of methodological approaches towards accounting for forming and usage of production development fund on the account of net profit.