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### Theoretical aspects of specific asset accounting: institutional approach

*The reasons for the necessity of using of a new institutional economic theory for the further development of accounting in Ukraine is grounded. The institutionalists' tendency of the transition from the research of the role of transaction costs in the enterprise activity to the analysis of the peculiarities of investments in specific assets of the enterprise is identified. The types of the selected assets, depending on the level of their specificity, are analyzed. The types of assets classified according to their specifics, and are substantiated. The role of the concept of specific assets for the further development of accounting are revealed. The three main directions of application of the concept of the specific assets in the context of the development of accounting science are highlighted and substantiated; they are: 1) the allocation of specific assets in the general structure of the assets of the enterprise; 2) the development of accounting outsourcing in the context of understanding of the accounting service staff as one of the types of specific resources; 3) the understanding of accounting information as a specific asset of the enterprise.*

**Keywords:** *specific assets; idiosyncratic assets; institutional accounting theory.*

**Actuality of the research. Settlement of the problem.** At the present stage of accounting development we consider the situation to be favorable for conducting researches based on the use of neoinstitutional economic theory that is caused by the following reasons:

1) Scientists-institutionalists have developed and substantiated concepts and approaches, which can be applied in accounting;

2) Scientific societies finally accepted the understanding of accounting as a separate social and economic institution;

3) Accounting as the system of collecting, processing and transferring information for making management decisions is much criticized as a result of the loss of relevant accounting information;

4) The shift of technical and technological basis of accounting conducting and organization, that is the transition from paper and computer accounting to net and computer accounting.

The presence of the reasons described above causes the necessity of searching for new neoinstitutional instruments to improve the existing system of accounting knowledge and provide the correspondence of the content and the form of submitting accounting information to the increasing demands of users in XXI-st century. The use of such instruments allows to transfer scientists' attention within accounting field from the researches, which take into consideration the changes of technological aspects of accounting conducting and organization to the neoinstitutional researches, which possess a better potential to substantiate the essence of economic phenomena and processes that take place at enterprises.

**Analysis of the latest researches and publications.** The study of the issue of accounting development in the context of institutional theory was paid attention by the following home scientists as Yu.A. Veryha, H.H. Kireyzev, E.S. Heyer, S.F. Holov, V.V. Yevdokimov, V.M. Szyk, O.O. Kanzyrov, S.F. Lehenchyk, V.M. Metelytsya, O.M. Petryk, N.V. Sevenyshena, I.B. Sadovska, T.M. Slyozko, K.V. Romanchyk, I.Y. Yaremko and others.

**Purpose of the research.** The main task of the article is the analysis of the theoretical aspects of specific asset accounting in the context of the main principles of the institutional theory.

**Statement of the research.** The specificity of assets is one of the objects of neoinstitutional economic theory examining. This category has been introduced to the system of economic knowledge recently, it took place in the middle of the XX-th century. The first scientist-economist who divided all the human resources of an enterprise into usual and specific was J.Bekker who was studying investments into human capital. However, the present issue was partly researched by A. Alchian, A. Marshal, G.Marshchak, and M.Polani. Later this classification was spread to all the kinds of enterprise's resources and was put on the base of the transactional firm's theory by O.E. Williamson.

Today, the process of carrying out investments into specific enterprise's assets, which motivate opportunistic behavior and increase transactional costs, is one of the principal issues of the neoinstitutional economic theory as its representatives first and foremost oriented to the study of vertical firm's interaction. E.G. Furubotn and P.Richter state that the consideration of a firm as the net of contracts based on the use or disuse of the assets specific for the firm can be applied as a criterion for the classification of works, which extended the bases of the neoinstitutional analysis of productive organizations [8, p. 512-513]. P. Joscov also states that since the beginning of 1980-s the discussion focus on transactional costs has transferred to the determinants of vertical integration (inner

organization) and the nature of contract interactions between firms on the different stages of production process, where the key issue became the importance of specific assets that allows to explain these processes [4, p. 170]. So, scientists-neoinstitutionalists in their researches appeared to be far from the general analysis of the role of transactional costs in the activity of enterprise and had deal with the substantiation of the means of their management on the base of identification of factors, which influence the process and the main factor here is carrying out investments into the specific enterprise's assets. However, the tendency has not appeared in accounting yet, because the most researchers of the institutional accounting theory are dealing with the solution of the issues of accounting reflection for transactional costs.

In general, enterprises' investing into specific assets is performed because due to their use it is possible to decrease expenses and the enterprises, which apply the specific assets can earn higher profits in comparison with the enterprises, which do not own such assets. O.E. Williamson considers the specificity of assets [3, p. 52] as one of the criteria, which should be taken into account while organizing business operations, in particular those ones, which affect the amount of transactional costs that arise when concluding contracts. In other words, the availability of the specific assets at an enterprise influences the choice of the coordination way (management structure) of the process of performing transactions. This criterion gives a possibility to estimate the contribution made by every contractor when concluding the contract and realization, finally providing the balance of interest of all its parties. The criterion proposed by the author is a determinant difference of the transactional firm's theory from other approaches to the explanation of economic organization.

Academician Yu.V. Yaremenko followed the same approach to the allocation of features of the resources owned by an enterprise [10], he proposed the conception of resources with different qualities, that is, the resource qualification according to their quality categories. In his opinion, the use of resources of various quality by enterprises is an objective outline of economic development. The peculiarity of Yu.V. Yaremenko's approach is that the conception of resources with different qualities is similar to the O.E. Williamson's conception of specific assets, however, it was used by the author to solve the problems of technological multi-constructural economics on the macro level, but not for substantiation of peculiarities of enterprises' functioning. That is why, it is difficult enough to use it for improving accounting system as the principal means of information support for making management decisions on the micro level.

According to the level of their specificity all the enterprise's assets can be divided into the following types:

- 1) Standard (nonspecific);
- 2) Less specific (half specific);
- 3) Highly specific (unique or idiosyncratic).

Nonspecific assets can be applied by many users and their market value depends little where they are applied. Market institutional agreements with nonspecific assets are performed by concluding set (neoclassical) contracts and if the contracts fail to be fulfilled the owners of nonspecific assets are faced with some transactional expenses. So, alternative options are available for the use of nonspecific assets; the application of such options does not cause the loss of production potential and enterprise's value.

The assets of the second type are considered to be specific ones and their use is partially limited because they can be used by a narrow number of consumers. When a party cancels the agreement connected with the use of less specific assets, the other party bears big transactional expenses because of the necessity in searching for a new contractor and failure of the contract fulfilment. So, any alternative use of less specific assets results in the essential loss of their production potential.

The assets of the third type are characterized by the highest level of specificity; their use is completely limited by other cases, which are not connected with the present agreement. When the agreement concerning the application of highly specific assets is cancelled, such assets cannot earn any economic profits to the enterprise because their alternative use is impossible, and their value does not play an important role. For example, highly specific assets can be both the inner-created software products developed on the base of «MS Excel» with the cost of 1000 hrv. And the complex integrated information systems developed on the base of specialized programs («Oracle», «SAP» and others), which can cost dozens of million hrv.

Nowadays, researchers do not have the common point of view about the way of calculating the level of asset specificity, that is why they use various methods and approaches, for instance; 1) Approach based on alternative expenses (the group of authors headed by prof. A.A. Ausan [5, p. 122], Ya.I. Kuzminov, K.B. Bendykidze, M.M. Yudkevich [7, p. 197]); 2) Index of the dispersion of risks caused by making deposits into specific assets (A.O. Verenikin and D.I. Voloshyn [2, p. 33]); 3) Branch index of asset specificity (H. Kim, H. Kung [12]). A separate enterprise should chose that method, which has all the necessary data available for the method using; such data have to provide the reliability of calculation for the level asset specificity and further ranking of specific assets in the accounting system.

Specific assets (less specific and highly specific) can be differentiated according to the type of specificity in order to understand the structure of contracts deeper. The first type includes human assets and was identified and described by G. Bekker, however a general typization for specific assets was proposed by O. Williamson for the first time [3, p. 55], he singled out the following types of specificity: location specificity, specificity of financial

assets, specificity of human assets, auxiliary assets. Later this typization was extended by S. Masten, who developed the concept of timing specificity and by O. Williamson himself, who added the specificity of trademark reputation to the previous types at the beginning of 1990-s.

Today, most researches examining the issue of neoinstitutional theory development distinguish six types of asset specificity (tbl. 1).

Table 1

*Classification of assets according to the types of specificity  
(generalized on the base of [1, p. 114; 3, p. 94-95; 4, p. 173])*

<i>Type of specificity</i>	<i>Characteristic</i>	<i>Example</i>
Location specificity	Close location of a buyer and a seller reflects their decision about minimization of transactional costs. The peculiarity is connected with the necessity to bear big expenses on physical transference of assets.	Location of heat electric power station, which uses coal as fuel; such location is close to a coal mine.
Specificity of physical assets	To invest in financial assets possessing transactional and specific characteristics of the construction. Their use in other projects has considerably less value for an enterprise.	The purchase of the coal stove for the electric power station, which cannot use other kinds of coal, in a case of cancelling an agreement with a supplier, includes the necessity of bearing expenses for its repeated fixing.
Specificity of human capital	The availability of special skills and knowledge that provide the effective work performance at a particular enterprise. The specificity is connected with the value, which is lost if an employee is fired from the enterprise.	The knowledge in programming using the specific programming language such as "1C", or the knowledge to work at information systems developed by an employee working for the enterprise.
Specificity of purpose-oriented assets	Investing in the general-purpose assets when the produce got on their base can be oriented for one and the only user. Their specificity is connected with cancelling a contract when a supplier has a great amount of produce stocks left and the produce is not in demand yet.	The development of programme product «1C: Accounting for Ukraine» is under threat because of prohibition for its use at domestic enterprises, most of which concluded the agreements about the system support and service.
Specificity of timing	Investing in the assets for which timing of production is essential. The peculiarity is connected with the right timing of production that can become the source of opportunist behavior of some performers of the project (production chain)	The production process in shipbuilding should be held under strict timing conditions because of the objective necessity to coordinate actions on the successive production stages.
Specificity of trademark reputation	Investing in clients' non-financial assets (reputation, brand, trademark), which value directly depends on the quality of produce that refers to such an asset. The specificity is connected with the value of such assets, which is lost when the quality of produce decreases or if an enterprise loses its reputation.	After poisoning by hot dogs in 2000 produced by «Sara Lee», the value of shares of the company decreased.

The types of asset specificity distinguished and substantiated above (tbl. 1) allow to determine more exactly which kinds of transactions respond to the certain types of economic organization because it is impossible to find out the reasons of changes at enterprises without taking into consideration available investments in specific assets. In particular, when the level of indetermination and specificity of assets is high it is reasonable to build the system of hierarchic management or concluding long-term contracts. In general, the proposed classification allows to form a new analytical layer of assets, which is owned by an enterprise, and to add the contract theory, determining the role of specific assets when preparing and realizing contracts.

One of the features of the proposed asset classification in comparison with other ones is the absence of financial assets in its structure. However, prof. V.E. Dementyev indicates that the theory of transactional costs

admits excessive technological heel in explanation of specific assets and ignores specific financial assets. The tendency of transformation into nonmobile assets is also observed for bank credits [6, p. 215]. As an example for such credits, the author calls the delayed debentures, which are characterized by low liquidity and are common for crisis economies. But we consider that financial assets according to their nature cannot be included into specific assets. First and foremost, financial assets (investments into securities, debtor obligation, etc) possess a high level of mobility and there are many options of their use, thus, in accordance to their nature and despite the shift in conditions of their use, they cannot be determined as specific ones.

Today the asset specificity concept is used not only for the improvement of the transactional cost theory, but also in the process of analysis of functioning enterprises' strategies, that is, the theory has a significant practical meaning. F. Emar-Duverne [9, p. 110] (on the base of such three main types of enterprise's resources as specific resources = non-financial investments, investments into principal capital, the resources that participate in market exchange = variable expenses) distinguished three models of an enterprise according to the type of the adopted quality convention. One of them is the model based on the specific investments; it includes the enterprises of specific characteristic, which are characterized by vertical integration with the performance of some production stages within a single trademark. This model is mainly applied by the enterprises of highly technological fields. The allocation of the separate model of an enterprise (where specific assets of non-financial nature prevail) under the current conditions of economy development confirms the actuality of the present issue while the postindustrialized society is being formed.

Generally, we may state that the concept of the specific assets developed by the scientists neoinstitutionalists allows to explain the behavior of agreement parties where the object is the use of specific assets; the concept also proposes the possible options of solving the problems, which can arise among its members. Such an approach meets the basic principles of positivist model of scientific knowledge according to which it is necessary to develop such theories that would allow to explain why enterprises acquire certain forms of interrelation and what determines their behavior in specific situations. In particular, the specific asset concept allows to find out the reasons of behavior shifts of contractors, and also allows to determine the causes for the vertical integration of enterprises or for concluding long-term contracts concerning the use of specific assets.

**Conclusions and prospects of further research.** The present study gives us the possibility to distinguish three main directions for the use of the specific asset concept in the context of modern accounting development:

1. The allocation of the specific assets in the general structure of enterprise's assets as a separate category, which is subjected for accounting reflection and the information about which should be provided to the interested users. To reach the goal it is necessary to improve theoretical and methodical principles of accounting (formal and content) on the base of taking into consideration the requests of accounting information users and the existing models of accounting information standardization.
2. The development of accounting outsourcing in the context of understanding of the accounting service staff as one of the types of enterprise's specific resources. In this case the transmission of functions of accounting conducting to the enterprise-outsourcer may be considered as one of the kinds of the vertical integration that allows to decrease transactional costs for accounting enterprise's system functioning. The specificity of assets means the uniqueness of services in accounting conducting (amounts and kinds of which are determined by the corresponding agreement) that are transmitted for performing to the enterprise-outsourcer.
3. The understanding of accounting information as a specific asset of the enterprise. In this case, the system of accounting regulation is considered as the main factor from which the quality of specific accounting information depends.

In the context of the existing national tendencies to the formation of methodical and theoretical principles of accounting the main attention should be paid to the development of the first direction. The specific asset concept has to be used in the process of formation of accounting enterprises' methodology to increase the efficiency of contract interrelation and the transparency of accounting information, which is provided to users for making decisions. Prof. M. Janson considers on this point if organizational relations affect much the accounting practice of enterprises, then without fundamental understanding of the existing differences between organizations we will not have the fundamental understanding of the reasons, which cause the difference in accounting policies of enterprises [11, p. 323-324]. The concept of specific assets is the example of such theoretical and fundamental principles, which allow to substantiate the contract interrelation and content aspects of accounting policy formation of their users.

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Scientific interests:

- Institutional accounting theory;
- The development of the theory and methodology in accounting under the conditions of interorganizational interactions;
- Specific asset accounting.

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