

THE ENTITIES THAT KEEP ACCOUNTING RECORDS OF PLEDGE

According to the current legislation pledge is referred to as one of the securities of the discharge of one's responsibilities. That is, it means that a debtor (pledger) pledges certain property or a property right as a guarantee of fulfilling their obligations by concluding a pledge agreement with a creditor (pledgee). It is worth mentioning that individuals, legal entities and the state can be in the role of pledger and pledgee in accordance with the article 11 of the Law of Ukraine "On the Pledge". But it is necessary to add that the list of entities can differ when considering each particular kind of pledge. In order to find out the parties of a pledge agreement taking into account particular kinds of pledge it is necessary to use the following table 1.

The above-mentioned list of the parties of the pledge agreement enables to determine the way of keeping accounting records by a business entity (in compliance with the normative legal documents, approved by The National Bank of Ukraine; according to The Provisions (Standards) of Accounting, or The National Provisions (Standards) of Accounting, other legal documents approved by The Ministry of Finance; or in accordance with The National Commission which performs the state regulation in the sphere of the financial services markets).

Table 1

*The parties of the pledge agreement depending
on the kind of pledge*

№	Kind of pledge*	Pledger	Pledgee
1	2	3	4
1.	Mortgage	Individuals, legal entities (enterprises, institutions, organizations)	Legal entities (enterprises, institutions, organizations, pawnshops, banks)
2.	Pawn	Individuals, legal entities (enterprises, institutions, organizations)	Legal entities (enterprises, institutions, organizations, pawnshops, banks)
3.	Pledge of goods in turnover or in process	Legal entities ** (enterprises, institutions, organizations)	Legal entities (enterprises, institutions, organizations, banks)
4.	Pledge of property rights	Individuals, legal entities (enterprises, institutions, organizations, banks)	Legal entities (enterprises, institutions, organizations, banks), The National Bank of Ukraine
5.	Pledge of securities	Individuals, legal entities (enterprises, institutions, organizations, banks)	Legal entities (enterprises, institutions, organizations, banks), The National Bank of Ukraine

**these kinds of pledge are stipulated by the Civil Code of Ukraine (mortgage, pawn) and in the Law of Ukraine "On the Pledge" (pledge of goods in turnover or in process, pledge of property rights, pledge of securities)*

***pledge of goods in turnover or in process is mainly used by manufacturing or trade enterprises*

Besides, it can be said that individuals primarily take part in pledging of movable property that is when pawn takes place. This kind of pledge is widespread in pawnshops activities that provide financial credits to people on pledge of certain material values.

Individuals do not act as pledgers when talking about pledge of goods in turnover or in process because it is connected with raw materials, semi-finished products, component parts, finished goods which are the components of production process of industrial enterprises or they are the objects of buying and selling on trade enterprises.

Taking into consideration pledge of property rights and pledge of securities it is important to notice that not only legal entities and banks can act as pledgers but also The National Bank of Ukraine. The latter performs operations directly with commercial banks. They may concern property rights on funds of a bank deposit, securities of The State mortgage institution, mortgage bonds, bonds of local loans, bonds of enterprises, which a commercial bank pledges to The National Bank of Ukraine for a given credit.

Concerning a pledgee it can be said that as a rule this role belongs to legal entities and the state that is The National Bank of Ukraine. Legal entities can be presented by enterprises, institutions, organizations, banks, pawnshops etc. But it is important to emphasize that pledge is mostly widespread in finance and credit institutions, whose purpose of activity is providing people with credits on certain collateral.

As regards pawnshops it is possible to say that they provide financial credits mainly for precious metals and jewels, household appliances, mobile phones, automobiles (automobile pawnshops). Moreover, occasionally pawnshops also take mortgage as collateral for a given credit that is a pledge of real estate.

As for banks the list of property they take as pledge is wider in comparison with pawnshops. In particular, pledge includes both movable property and real estate and property rights, goods in turnover or in process, securities that is all things that might be secured assets taking into account legislative restrictions. However, there are certain objects that cannot be collateral. The latter are specified by the article № 4 of the Law of Ukraine "On the Pledge". They are as follows:

- cultural valuables that are the objects of rights of state or communal ownership and entered or are liable to be entered in the State register of national cultural heritage;
- monuments of cultural heritage, entered into The List of monuments of cultural heritage that do not subject to privatization;
- personal claims and other claims when the pledge of them is forbidden by the law;
- the objects of a state ownership when their privatization is forbidden by legal acts and also property complexes of state enterprises and their subdivisions in the process of corporatization.

Therefore, it is possible to sum up that in general pledge takes place in finance and credit institutions' activities namely pawnshops and banks that provide loans to individuals and legal entities. Besides, particular kinds of pledge such as pledge of property rights and pledge of securities can be used in case The National Bank of Ukraine provides commercial banks with credits.

Thus, in accordance with the indicated list of business entities that can act as the parties of a pledge agreement depending on the kind of pledge both the legal framework concerning the regulation of Accounting of pledge as well as the methodical approaches to keeping accounting records of pledge can be determined.