

**INCOME CLASSIFICATION OF COMMERCIAL
ENTERPRISE IN THE CONTEXT OF QUALITY OF SERVICE
AND INTERNATIONAL INTEGRATION PROCESSES**

***Annotation.** The article describes the scientific and methodological basis effective management of income and profit helps businesses maximize their size as much as possible. Believe that the amount of income and opportunities of Ukraine's European integration is directly dependent on service improvement. In this regard, by managing revenues and profit enterprise can successfully identify economic strategy, form a long-term goal and objectives for the development of the enterprise.*

***Key words:** costs, income, cost classification, competitiveness, cost planning, quality of service*

I. Introduction

The social orientation of the economy of Ukraine directly determines the strategy and direction of the reform of the national economy for full reconstitution of commercial production and goods for personal consumption. It is essential to achieve the goal of social production, increase the welfare and uplift of demand. Solving this problem is largely connected with improvement of the quality of public services with simultaneous ensuring the desired level of profitability of financial-economic activity and of a large and diverse contingent of consumers.

Trading and brokerage enterprise through direct influence on commodity production and consumption have to determine the level of personal human needs considerably. More active development of exchange causes increase of its impact on achieving a balance between purchasing and commodity funds. Without this balance domestic trade can not fully perform its functions and purpose in the process of social reproduction.

Since the main purpose of business is to maximize revenue and profit its management is important and helps in the subjecting of specific goals and objectives of enterprise for the future development.

Great number of scientists investigated the classification and income generation of enterprise. Foremost, such as A.Mazeraki, N.Ushakova, V.Aranchiy, V.Sidun, Y.Ponomariova, N.Butenko, I.Blank, M. Davis Stephen, R. Waterman, J. Harrington, M. Hammer, A. Charns, W. Cooper, F. Crosby and others. However, many issues still remain unresolved, this predetermines the actuality of the topic.

However, given the demands of today there is a need to study such economic categories as income of trading enterprise and the quality of public services to find aspects of their relationship and finding areas of improving the classification of income in international integration processes.

II. Formulation of the problem

The aim of the article is to substantiate the classification and definition of income in activities of commercial enterprises in modern terms of provision of competitiveness and quality of public services in light of international experience.

III. Results

One of the tasks of accounting, except to ensure preservation of the property owner and the provision of information for management of enterprise is to determine the financial results for the period.

Global changes in the world economy have been the determining factor in the development and implementation of International Accounting Standards (IAS), which are advisory in development and implementation of national ones.

Methodological basis of income and their display in reports are defined by IAS 18 «Revenue» and NR(S)A 15 «Revenue». Comparison of the main points of these standards indicates that they have much in common. This primarily relates to revenue recognition criteria, classification of income by the type of activity, estimation of revenues, order in the reporting and others.

However, between these standards there are differences reflected in Table 1.

The data of comparison of international and national legislative provisions on income and their display them in reports allow to conclude that IAS has more specified number of points, but national standard contains moments that are conditioned by the national peculiarities of accounting.

Table 1 – Comparison of international and national standards of income accounting

Feature	NR(S)A 15	IAS 18
1	2	3
The concept of income	Income – is the increase in economic benefits in the form of assets or income commitments that lead to an increase in private equity (other than growth of capital by contributions of owners) for the period	Income is the gross inflow of economic benefits during the period arising in the course of ordinary activity of an entity when equity result in increases as a result of these earnings, rather than as a result of contributions of equity participants.
Is not recognized as income	Tax and compulsory payments to be transferred to the budget and extra-budgetary funds, proceeds from the commission contract, agency and other similar contract in favor of the consignor, the principal, and so on are not recognized as income.	
	Amounts in payment of products (goods and services), the amount of the security deposit or loan repayment, if stipulated by the contract, earnings belonging to others; earnings from initial public offering of securities.	Not considered
Estimation of Income	Income is shown in the accounting records in the amount of the fair value of assets received or receivable.	The amount of revenue is measured at the fair value of the consideration received or the compensation to be received with the amount of any trade discounts or discounts from amount given by the enterprise. Income is the amount of cash or cash equivalents received or receivable. The influence of delay of cash or cash equivalents on fair value compensation is considered.
Income classification	Incomes are classified into the following groups a) Income (receipts) from sale of products (goods and services) b) Other operating income, c) financial income, d) other income, e) unexpected income. Special	Gives the following types of income: a) from the sale of goods b) from the services rendered, c) interest, royalties, dividends. If the company leaves only an insignificant risk of ownership, the transaction is realized and income

	attention is paid to the recognition of earmarked funding as an income. If the seller has the risk connected with the ownership of products (goods, other assets), the income is not recognized.	is recognized
Transfer of risk	If the seller reserves the risk associated with the ownership of products (goods, other assets), income is not recognized	Estimation of the moment when that company transfers significant risks the buyer and rewards of ownership requires the study of circumstances of the transaction. If a company leaves a significant risk of ownership, the transaction is not considered as a sale and income is not recognized.
Matching of income and expenses	If income can not be reliably determined, it is displayed in accounting as the amount of specified expenses that are recoverable. Recognized income is not adjusted for the value of the value of the associated doubtful and bad debts.	Revenues and expenses related to the same transaction or other event are recognized simultaneously; this process is usually referred to as the matching of revenues and expenses. Revenue can be recognized when the expenses can not be estimated reliably, under such circumstances, any already received consideration for the sale of goods is recognized as a liability.
Disclosure of information	In financial statements such information is provided and disclosed - Accounting policy of income recognition, including the method of determining the degree of completion of works and services, income from implementation and delivery of which is recognized by the degree of completeness - the distribution of income for each income group.	- Accounting policy adopted for the recognition of income, including methods used to determine the stage of completion of transactions providing the rendering of services, - the amount of each significant category of income recognized during the period, including revenue from sales of goods, provision of services.

Methodological principles of formation and display of information about the financial results in reports are defined by NR(S)A 3 «Income Statement». In international practice there is no separate analogue.

Herewith, there are no methodological aspects of the procedure of recording information regarding the classification of income in the context of service quality in the national and international law.

Income - revenue from sale of goods (works, services) which indicates that the production of company found its consumers, that it meets the demand of market by price, quality, other technical, functional characteristics and properties, and provides a basis for self-financing of enterprise under condition that their amount is sufficient enough to cover the company's expenses for production and sale of goods and other activities, obligations to the budget and the formation of net profit.

The need to generate income from trading of the company exists due to the need of reimbursement for the maintenance of it's activities and due to the heed of getting a certain amount of profit, which provides the strategic goals of commeraal enterprise.

The main sources of income of a commercial enterprise from the sale of goods is trade premium to the purchase price of goods, the difference in price between the sale and purchase of goods at different stages of the product sale, is a revenue of a commercial enterprise per unit of sold goods.

It can be argued that income of trading organization is definitely associated with quality of services. Let us consider the basic characteristics of quality in works of scientists.

The world famous American expert, the author of the theory of Total Quality Management, Armand Feigenbaum formulated four «mortal sins» in approaches to quality, one of which is an unwillingness to recognize that a constant level of quality does not exist (quality level must rise continuously).

He said that now the quality is determined by four major global trends;

- 1) new global market of buyers, on which the company must be competitive;
- 2) the emergence and development of new technologies that determine success on this market;
- 3) enormous pressure on companies of new economic forces;
- 4) significant changes in patterns of management, their adaptation to new and rapidly changing competitive environment [3],

In his writings S.Pokropyvnyi noted that quality as an economic category reflects a set of properties of products that contribute to the degree of its suitability to meet the needs of people according to their destination. Along with the quality there exists a notion of the technical level of certain products. The technical level of products is narrower in content if compared to quality since it covers only a set of technical and operational characteristics. Its rate is established in the process of design (development) of new tools mostly (machinery, equipment, appliances, vehicles, etc.) and are reflected in the specific technical level maps, which are used in the study of the market and identifying the demand for new products, preparing business plans, advertising materials, etc.

The level of quality is a quantitative characteristic of a degree of the suitability of a particular type of product to meet the specific demand for it in comparison with the corresponding baselines as fixed terms of use. Estimation of quality of products includes determination of the absolute, relative, perspective and its optimal levels.

The absolute level of quality of a product is found by the calculation of its chosen measurements without comparing them with the corresponding figures of similar products. Determination of the absolute level of quality is not enough, since by them selves absolute number of measurers of quality does not reflect the extent of its compliance with modern requirements.

Therefore, the relative quality of certain types of products which is produced (projected) is determined and is compared to the absolute indicators of quality of the best domestic and foreign analogues. However, the level of product quality under the influence of scientific and technological progress and demands of consumers should continue to grow. In this regard it is necessary to assess the quality of products basing on its long-term level, taking into account the priorities and pace of development of science and technology.

For new products and above all tools it is reasonable to determine the optimal level of quality, that is a level at which the total value of the social cost of

production and use (operation) products under certain conditions of consumption would be minimal [5].

Also similar to the previous definition is N.Safronov's one, which determines the quality as a set of product properties, determining its suitability to meet those needs depending on its purpose. [6]

We can not but agree with these interpretations because the quality of service should be a priority in the activity of entities. In addition, the increase of profitability is determined as a promising direction of activity of commercial enterprise.

The largest share in the incomes of commercial enterprise take profits from main activity - trade. These gains for commercial enterprise are called gross income.

In addition there is also a net income, potential income and required income trading enterprise. Net income expresses in monetary terms the value of the surplus product and is defined as the excess of the proceeds from sales over the cost of material expenses, depreciation costs and wages, or as the difference between gross income and wages. [1]

Potential income can be obtained by existing trade capacities, possible sales at existing market conditions and appropriate quality services.

In turn, the required income allows the company to fund all planned operating costs, mandatory payments and get targeted profit.

IV. Conclusions

The main purpose of commercial enterprise is income. Size of income characterizes the financial results of the work of a company and determines its financial position. Profit margin certainly depends on the size of the income from main activities.

It is clear that from products having the same price greater demand will have the one, which has a higher quality. However, a significant improvement in quality now compared with similar products of competitors allows an enterprise to raise

the price on it, without losing their customers and in frequent cases even increasing sales.

Therefore, effective management of income and profit helps businesses maximize their size as much as possible. Besides, we believe that the amount of income and opportunities of Ukraine's European integration is directly dependent on service improvement. In this regard, by managing revenues and profit enterprise can successfully identify economic strategy, form a long-term goal and objectives for the development of the enterprise.

Given all above, we can conclude that Ukraine should continue to conform legislation of accounting and financial reporting to international standards.

Prospects for the internal trade of Ukraine are largely determined by the need to implement points adopted by EU member states.

Among them we can point out the necessity of solving of key tasks that affect the stability of the EU internal market:

- Improvement of the legal framework in accordance with the requirements of today;
- Improving the quality of implementation in the national law of the EU Member States and the EU legal points and their effective application;
- Improvement of a unified system of standardization and quality of goods, including development of specific technical regulations;
- A more balanced policy of liberalization of service market which includes the development of charging certain types of services.

In addition, we have proven the relation between income and quality of service, which necessitates appropriate amendments to the classification of income in national and international law and requires further research in this area.

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