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## Accounting information support relevant to surveillance of substandard goods

**Abstract.** *Introduction.* Today it is almost impossible for almost any trade enterprise to exist without its basic resources - goods, despite the fact that availability of goods entails only the costs associated with their receipt, storage, transfer and disposal. Besides, a significant accumulation of goods leads not only to loss

in quality and deterioration of consumer properties, but also to reduction in funds and shortcomings in profit.

In practice, retail enterprises often have situations when the shelf life of some products ends before they are sold out or they are stored improperly or when certain other circumstances occur. In this case, such products lose their marketability and consumer properties partially or completely. Thus, they are considered to be substandard. Substandard goods are relevant to the elements of inventories, so it is necessary to conduct further researches related to accounting and information support for effective management. Now it is possible to define the purpose and the main task of this scientific article.

*Purpose* of the article is to study the nature of substandard products as an element of the stock, the order of documenting transactions in such goods and their reflection in the accounting system. This form will provide a significant information support relevant to surveillance of goods that will help to release the funds invested in the purchase and stockpiling in order to meet consumer demands without violating consumer rights. *Methods.* In the research process both general and special scientific methods were used. Methods of analysis were used for identification, systematization and theoretical generalization of the nature of substandard goods; methods of observation and comparison were used for studying practical materials of trade enterprises; methods of systemic approach and special accounting were used to develop proposals for improvement of accounting and information support relevant to surveillance of substandard goods.

*Results.* The question of the essence of substandard goods has been examined, main features of their origin and management. The main problems related to documentation of transactions and the methodological aspects of accounting have been considered.

*Conclusion.* The proposals concerning the interpretation of substandard goods have been offered, a primary document that reflects the basic operation of substandard goods is formed and a new sub account to a master account of these transactions have been proposed.

**Keywords:** Accounting; Stocks; Goods; Substandard Goods

**JEL Classification:** M29; M40; M41; M49

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**Обліково-інформаційне забезпечення управління некондиційними товарами**

**Анотація.** Досліджено сутність некондиційних товарів, виділено основні ознаки, які формують дане поняття. Обґрунтовано, що некондиційні товари також належать до категорії товарів, що обумовлює необхідність їх вивчення як окремого об'єкта. Здійснено аналіз практичної діяльності торговельних підприємств та виділено основні проблеми щодо товарів, термін реалізації яких закінчується. Запропоновано відображати операції з некондиційними товарами в розробленому первинному документі, що забезпечить повне висвітлення інформації про такі товари та контроль за ними при їх надходженні, належному зберіганні та вибутті. Надані пропозиції стосовно відображення некондиційних товарів у системі бухгалтерських рахунків, що сприятиме формуванню облікових даних відносно місцезнаходження товарів, їхньої якості й вартісної оцінки.

**Ключові слова:** облік; запаси; товари; некондиційні товари.

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**Учетно-информационное обеспечение управления некондиционного товара**

**Аннотация.** Исследована сущность некондиционных товаров; выделены основные признаки, которые формируют данное понятие. Обосновано, что некондиционные товары также принадлежат к категории товаров. Это обуславливает необходимость их изучения как отдельного объекта. Осуществлен анализ практической деятельности торговых предприятий и обозначены основные проблемы, имеющие отношение к товарам, срок реализации которых заканчивается. Предложено отображать операции с некондиционными товарами в разработанном первичном документе, что обеспечит полное освещение информации о таких товарах и контроль за ними при их поступлении, надлежащем хранении и выбытии. Представлены предложения по отображению некондиционного товара в системе бухгалтерских счетов, что будет способствовать формированию учетных данных о месте нахождения товаров, их качестве и стоимостной оценки.

**Ключевые слова:** учет; запасы; товары; некондиционные товары.

**Introduction.** Goods make up the largest part of the structure of inventories and the primary resource potential of trade enterprises. Goods are different from other inventories by the fact that they are directly intended for sale. However, accumulation of goods leads not only to loss in quality and deterioration of consumer properties, but also shorter terms for realization than planned. This is an actual problem for enterprises which have over 25% food products in the structure of goods with a limited shelf life. That requires attention from the management.

In practice, retail enterprises often have situations when the shelf life of some products ends before they are sold out or they are stored improperly or when certain other circumstances occur. In this case, such products lose their marketability and consumer properties partially or completely. Thus, they are considered to be substandard.

Under the circumstances, it is important to improve software relevant to surveillance system of goods which is based on an objective methodology of accounting that meets the time

requirements and is able to provide an administrative unit with reliable and timely information on products, their availability, movement and condition.

**Analysis of the latest research and publications.** In terms of study of the essence of goods and accounting methods, notable is the contribution of domestic scientists, such as I. O. Blank (1999) [1], F. F. Butynets (2007) [2], L. O. Lihonenko (2005) [3], A. A. Mazaraki (2006) [4; 5], L. V. Napadovska (1999) [6], M. S. Pushkar (2006) [7], and foreign: V. P. Astakhov (2011) [8], V. B. Ivashkevych (2010) [9], Emmet S. Goff (2007) [10], B. Nidlz (1997) [11], V. N. Platonov (1996) [12] and others.

Paying tribute to scientific achievements of domestic and foreign scientists, it should be noted that development of modern trade requires new approaches to solving new problems and increases the value of the accounting surveillance relevant to goods as part of information support in management decision making process. In particular, it calls for further study of insufficiently resolved issues related to the nature of substandard goods, their recognition and accounting methods.

**The purpose** of the article is to study the nature of substandard products as an element of the stock, the order of documenting of transactions in such goods and their reflection in the accounting system. This form will provide a significant information support relevant to surveillance of goods that will help to release the funds invested in the purchase and stockpiling to meet consumer demands without violating consumer rights.

**The main results of the study.** Mazaraki A. A. explores the question of the nature and components of goods in his works. He takes into account a shape which they acquire while moving from the manufacturer's storage in the form of finished products to retailers for subsequent consumption [5, 174].

Contrary to the definition of inventories as part of the sphere of circulation, Russian and American economists consider inventories to be goods which are acquired or received from other businesses and individuals and assigned for sale in normal circumstances. These products are usually purchased readymade and for sale (resale) without additional handling and processing [12; 13, 301]. Menkiu N. H. suggests that inventories will allow the company to operate more efficiently [14].

Retail stores, for example, can effectively sell the goods when they have products that can be shown to consumers [14]. Economists S. Fisher and R. Dornbusch suggest that inventories are goods that are in stock of a company and intended for future production and future sales [15, 129].

The abovementioned information enables us to state that in the works of relevant authors attention drawn to the fact that goods are commodity masses placed in the storages of a company and intended for future sale without further processing and recycling.

However, scientists have not considered issues of goods taking into account the time of their realization, without which goods become substantially substandard. The senior managers should make the right management decisions related to taking active measures aimed at their realization and release of funds.

It should be noted that a single definition of the concept does not exist. Products with various defects can be classified as substandard goods.

For example, according to the classifier of waste, the substandard products are products which:

- a) does not meet the regulatory requirements or not suitable for intended use because of contamination;
- b) can not be recovered, restored or otherwise used at the place of production (formation);
- c) tend to cultivation (processing) in specialized enterprises selling or as secondary material resources (raw) [16].

So, as substandard should be considered the goods that partially lost their consumer properties, with a consequence of a reduced consumer demand or expiration time which means that such goods may be sold at markdowns price, returned to the supplier or written off.

According to their quality, such goods can be divided into products which fully preserved conditions of realization, under normal conditions and the usual price, which also have full quality characteristics.

The practical researches conducted with relation to activities of trade enterprises argued that the biggest share of substandard goods falls on food groups: seasonal products (26%), dairy and cheese group (22%), frozen products, ready meal (12%), bakery products and confectionery (12%), meat and meat products (10%), cookery and own production (8%), fish and canned fish (5%), alcoholic beverages (4%) and other (1%).

Detection of substandard goods, which are in the trading floor is efficient when making inventory and daily reviews of relevant departments by staff. After that, all information about these products should be immediately written into the original document and then removed from trading hall before deciding on further action. Under these conditions there must be specially equipped premises (location) to store such goods. Despite the fact that in practice of trade enterprises substandard goods are often found, a single unified form of documents for their recording and confirmation of date does not exist.

Accounting as an information model of economic activity of trade enterprise starts with the primary accounting - recording of operations on goods in primary notes. Preparation of documents or documentation is an important element of the method of accounting documents. It serves as the basis for the next grouping of primary data in accounting, makes business activities legal and enables to monitor their implementation.

The documentation of the transactions in substandard product should provide necessary information for management, namely next steps to be taken in relation to confiscate goods, the place of their temporary storage, identification of the supplier's name from whom the goods came, their return and so on.

Thus, it is possible to offer a form of Statement of substandard goods with necessary elements for senior managers' decision-making in effective planning of inventories, approval of a system of discounts and suppliers diversification (Table 1).

Detected and removed substandard products are stored (temporarily) in a special place so that substandard goods should not be mixed up with the main product, which is meant for the current storage. The following decisions may be taken instantly after the inspection of substandard goods:

- forming an invoice for a return of goods to the supplier; returning to trading hall (with acceptable conditions that do not violate consumer demand);
- movement of goods for sale with discounts, description, markdown act;
- writing off goods as malicious and not entirely suitable for the implementation of any other operations.

Responsible trade workers must control the legality of the cancellation of sale of such goods.

To monitor substandard goods and fair reflection of future operations, it is proposed to display information on accounts within the work plan of accounts, (account 28 - «Goods», sub-account 287 - «substandard product»). It is important due to a need to reflect the cost of goods which, if not properly stored or placed, partly lost outward, but did not lose consumer quality.

Using of sub-account 287 «substandard product» ensures proper operational control on such goods movement, and possibility to assess them according to their primary purpose.

In addition, the ways of disposal of substandard goods that have been considered make it possible to conclude that a substandard product is a product that is not necessarily a damaged or expired product (with a ban on its trade according to the articles of the Law on Consumer Protection [17]), but the one which has consumer properties and can be used in their own production (raw materials as food) or even suitable for sale at a reduced (discounted) price.

The group of substandard goods include not only those stocks that are found in their places and come to the company under normal conditions from suppliers, but also the products that are returned by buyers. Substandard products returned by buyers should also be stored in a special place until the cause of their return is identified and the right proceedings are made.

**Conclusions.** It should be noted that increase of inventories volume and the duration of their turnover proves their ineffective management. It leads to increasing of costs for the purchase and storage of inventories.

Table: Form of Statement of substandard goods

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CONFIRM _____ Ltd. «DOBRO» _____ Dudnyk T.A. _____ (signature of the head of the company, its surname and initials) «20» March 20__ year									
STATEMENT OF NONSTANDARD GOODS									
№ 13 «20» March 20__ year									
№ s / n	Product name	Type of nonstandard	Allocation	Quantity	Price, UAH	Cost, UAH	Next steps	Supplier (in case of return)	Notes
1	Milk «Lyustdorf», 9% (1,0 l.)	Ending of realization date	Department «Milk»	20 items	8,55	171,00	Return to delivery	TOV «Lyustdorf»	The obtained THP by number 234th on 05.02.20__ y.
2	Fish « Skumbriia»	The loss of consumer qualities (reezing)	Department «Freezing»	30 kg.	9,15	274,5	Should be written off	-	-
3	Salted herring (Ltd. «Briz»)	Loss of presentation	Department «Gastronomy»	1,850 kg.	39,5	73,08	In its own production department	-	Invoice on internal displacement №34 of 20.03.20__ y.
4	Orange juice «Sadochok» (0,5l)	Loss of presentation	Department «Drinks»	2 items.	5,95	11,9	Subject to reduce the cost of implementation discount	-	Description-statement revaluation consignment on internal displacement №35 of 20.03.20__ y.
Total						530,55			
Manager: Senior operator Kyseliuk I.A. _____ Commodity expert: Melnyk O.A. _____ Bookkeeper: Ishchenko I.A. _____									

Source: Authors' own development

Our research of the nature and management of substandard goods resulted in proposals formed concerning selection of substandard goods as a part of inventories and a separate research object that will allow receiving necessary information not only about the range and volume of goods, but also about their qualitative characteristics, implementation period and the fair value. The above will contribute to the realization of basic accounting tasks in order to make operational, tactical and strategic managerial decisions in the process of development and effective implementation of commercial enterprises' resources.

Documentation of business transactions serves as a reliable information support in the system of resource management. The proposals which were formed for improving of the primary account by the practical implementation of the Statement of substandard goods provide complete coverage of products as well as their proper receipt, storage and realization. It have been made with the aim to fix information about goods which: partially lost consumer properties, with reduced consumer demand, term of realization of which is ending, goods that may be sold at a reduced price after markdowns, goods which must be return to the supplier or written off.

Displaying of substandard goods in the system of accounts should generate information not only about the location of the goods, but also their quality and efficient storage, to ensure control of their state, order, pricing and effective management.

Information about substandard goods according the plan of accounts of commercial enterprises have been proposed to show on subaccount 287 «substandard goods» account 28 «Goods». In addition, the relevance of scientific work provides an opportunity to highlight future directions for research using of accounting methods and determine all stages of information collection about substandard products for making effective management decisions aimed at rational and optimal planning trade.

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