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FORMATION CAPITAL THE JOINT-STOCK COMPANY AND ITS DISPLAY IN THE FINANCIAL STATEMENTS

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The article considers the issues of formation of capital of joint-stock companies. Automatic transferring of forms and methods of managing capital of the joint-stock company used in developed market countries will not lead to positive results without considering the specific character of transformation conditions of Ukraine and peculiarities of organizing economic activity of national economic agents. This makes it more urgent to study the formation of capital of the joint-stock company in transition economy, special features of its functioning, research the forms of its realization and development of motivation mechanisms of increasing the efficiency of using the advantages inherent in joint-stock companies. The essence and significance of functioning of joint-stock companies and their influence on economic development of the state was analyzed. The significance of establishing and development of capital of the joint-stock company is an important issue which facilitates the solution of problems of economic growth, reproduction and distribution of aggregate capital in the state, implementation of effective mechanisms in stimulating entrepreneurial activity, increase of business and innovative activity of joint-stock companies of Ukraine. The necessity of carrying out the estimation of actual value of capital of joint-stock companies and its display in financial statements of the enterprise was substantiated. With regards to the evaluation of joint-stock company capital, they usually mean the evaluation of own capital of

such a company. First of all, the given information is of interest for the owners of joint-stock companies, their business partners as well as for their creditors. Determination of real value of joint-stock capital is also necessary for investors who intend to invest their money into the shares of the enterprise.

Key words: *capital; joint-stock company; economic activity; evaluation; shares; management; financial statements.*

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ФОРМУВАННЯ КАПІТАЛУ АКЦІОНЕРНОГО ТОВАРИСТВА ТА ВІДОБРАЖЕННЯ ЙОГО У ФІАНСОВІЙ ЗВІТНОСТІ

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У статті розглянуто проблеми формування капіталу акціонерних підприємств. Механічне перенесення форм та методів управління капіталу акціонерного товариства, використовуваних у розвинених ринкових країнах, не дасть позитивних результатів без врахування специфіки трансформаційних умов України та особливостей організації економічної діяльності вітчизняних господарюючих суб'єктів. Це актуалізує необхідність подальшого дослідження формування капіталу акціонерного товариства в транзитивній економіці, характерних рис його функціонування, дослідження форм його реалізації та розробки мотиваційних механізмів зростання ефективності використання переваг, притаманних акціонерному підприємництву. Проаналізовано суть і значення функціонування акціонерних товариств та їх вплив на економічний розвиток держави. Значення становлення і розвитку капіталу акціонерного товариства є важливим питанням, що сприяє розв'язанню проблем економічного зростання, відтворення та розподілу сукупного

капіталу в державі, втілення ефективних механізмів мотивації підприємницької діяльності, зростання підприємницької та інноваційної активності акціонерних підприємств в Україні. Обґрунтовано необхідність здійснення оцінки реальної вартості капіталу акціонерного підприємства та відображення її у фінансовій звітності підприємств. Говорячи про оцінку капіталу акціонерного підприємства мається на увазі оцінка власного капіталу такого підприємства. Дана інформація цікава, насамперед, для власників акціонерних товариств, їх партнерів по бізнесу, а також кредиторів. Визначення реальної вартості капіталу акціонерного товариства потрібне і інвесторам, які мають наміри вкласти свої кошти у акції підприємства.

Ключові слова: *капітал; акціонерне товариство; господарська діяльність; оцінка; акції; управління; фінансова звітність.*

Problem Statement. Market transformations of the economy of Ukraine require carrying out such drastic measures that would be directed at securing economic stabilization in the country and transition to steady economic growth. Property reforming, creation of mixed economy with a powerful private sector, implementing new motives and incentives of economic development have become a starting point in developing market principles in the economy of Ukraine. The carried out denationalization and property privatization, stimulation of business activity of enterprises, which were restructured, were supposed to become a prerequisite for the creation of optimal structure of economy capable of securing high rates of economic growth. As cooperative sector enterprises play a leading role in the system of public production in the majority of countries of the world the formation and development of capital of joint-stock companies should be priority guidelines of the renewal of national industrial production in our state and reaching the level of highly-developed countries.

It is necessary to mention that a considerable part of non-state enterprise production refers to enterprises of cooperative sector the basis of which is made up by business partnerships. However, property reforming and enterprise restructuring have not become the foundation of a successful development of the economy of Ukraine. Besides, along with the establishing of non-state sector, new problems of economic and social character have appeared, namely, mass bankruptcy of enterprises, growth of unemployment, and deeper social differentiation in the society.

Mistakes, inconsideration and incoherence of property reforming, illiberality of normative-legal and institutional environment have become the main reasons for unsatisfactory state of the cooperative sector enterprises. Theoretical-methodological mistakes have also added to the problem: an array of issues of establishing and efficient functioning of cooperative sector enterprises have not been solved yet.

Among these problems the topic of establishing and development of joint-stock company capital as an element of public capital, peculiarities of its functioning within the transformation period, its role in securing economic growth and formation of economic relations in cooperative sector take an important place. Therefore, the issues of identification of specific features of formation of joint-stock company capital in modern market conditions of operation, defining the impact of external environment factors on increasing the value of joint-stock company capital, researching the motivation mechanism of its utilization and increasing the efficiency of its formation are of great interest in theoretical aspect and practical application.

Analysis of latest research and publications. The issues of creation and functioning of joint-stock company capital were studied in research works of many national and foreign scholars. Particularly, the problems of joint-stock company capital were described in the works by A.Smith (1866), Van Horne J.K. (1996), C. Drury (2001). More widely the joint-stock relations are

researched in works by L.Bernstein (1996), D.Dixon (1994), B.Karloff (1991), B.Collas (1997), D.Hansen (2006). Scholars-researchers K.Bezverkhyi (2013), T.Bochulia (2013), V.Vykhrush (1998), A.Hrachov (2002) have conducted important researches in establishing the results, evaluation of enterprise joint-stock capital and showing them in financial statements.

Notably, K.V.Bezverkhyi, T.V.Bochulia (2013), made an analysis of certain aspects of organization and methods of making financial reports of national enterprises in the context of the latest legislative changes caused by the adoption of the National Provisions (Standards) of Business Accounting 1 "General Requirements as to Financial Reporting". Great attention is paid to displaying the information in sections of the Profit and Loss Account (Statement of Total Income) the authors emphasize the inadequacy and inconvenience of the structure of some sections and displaying the results of enterprise financial activity in them.

However, with a number of theoretical insights and practical recommendations the problems of formation and development of capital of the joint-stock company remains unsolved which does not make it possible to use industrial, financial and intellectual potential, identify the ways to strengthen the influence of macroeconomic environment on increasing the capital of joint-stock company, formation of a competitive on national and foreign markets joint-stock sector and nature of establishing new economic relations.

Unsolved problem parts. The significance of establishing and development of capital of the joint-stock company is an important issue which facilitates the solution of problems of economic growth, reproduction and distribution of aggregate capital in the state, implementation of effective mechanisms in stimulating entrepreneurial activity, increase of business and innovative activity of joint-stock companies of Ukraine.

Corporate relations in modern conditions of economic activity are characterized by instability, low efficiency of their realization, polarity of

economic interests etc. These issues are insufficiently regarded while developing the economic policy of Ukraine. Automatic transferring of forms and methods of managing capital of the joint-stock company used in developed market countries will not lead to positive results without considering the specific character of transformation conditions of Ukraine and peculiarities of organizing economic activity of national economic agents. This makes it more urgent to study the formation of capital of the joint-stock company in transition economy, special features of its functioning, research the forms of its realization and development of motivation mechanisms of increasing the efficiency of using the advantages inherent in joint-stock companies.

Aim of the article – is to identify the essence and economic significance of the correct evaluation of joint-stock capital and define the main moments of displaying it in financial statements in compliance with the new requirements for preparation of reporting of enterprises.

Main research results. The essence of capital of the joint-stock company makes it possible to regard it as a higher form of organization of social-economic relations. Capital of the joint-stock company is a complex organizational-legal form of organization and consolidation of so-called individual capital. The concept of content and economic essence of capital of the joint-stock company is connected with such economic categories as capital functionality, enforcement of property rights, forms of organization of management and production. It should be mentioned that from the point of view of property, joint-stock capital is an object of ownership of several owners; however it participates in the production process as a single, integrated unit. Therefore, capital of the joint-stock company is an economic phenomenon which shows itself in the continuity of certain elements which are integrated with the aim of organization and more active production, commercial and business activity, besides it is a prerequisite for the formation of a complex

system of social-economic relations among the participants of economic processes both in the country and abroad.

Capital of the joint-stock company is an important component of social capital and plays a great role in securing the opportunities for economic growth. In modern market conditions the functioning of capital of the joint-stock company acquires a number of particular features which influences its formation and functioning in Ukraine.

At present the state is a contributor of capital of joint-stock companies in most cases which determines the specific character of realizing cooperative relations, formation of cooperative management system and motivation mechanisms of supporting the joint-stock company. The activity of most joint-stock companies with the state share in the statutory fund is unprofitable as the state as a shareholder and a higher power of organization of the society pursues conflicting purposes: economic goal of gaining a profit and social goal of guaranteeing equality in the society.

The problem, in our view, is poor development of organizational components of institutional support, namely, formalized institutional structures such as equity market, OTC trading systems which becomes an obstacle to promoting an appropriate security turnover in Ukraine. The low level of performance makes the fulfillment of their main tasks, such as flow of capital, reporting to investors, showing rates of development of certain branches of the country's economy and economic system as a whole, more difficult

The internal problems of functioning of joint-stock capital manifest themselves in the escalation of conflict situations in the relations of contributors of joint-stock capital. The problem is also the redistribution of capital of the joint-stock company which comes down mainly to applying the methods of pressure and dominating of private-personalized interests in the process of joint-stock companies functioning.

With regards to the evaluation of joint-stock company capital, they

usually mean the evaluation of own capital of such a company. First of all, the given information is of interest for the owners of joint-stock companies, their business partners as well as for their creditors.

Determination of real value of joint-stock capital is also necessary for investors who intend to invest their money into the shares of the enterprise.

After back pay to creditors the joint-stock company has its own money which is its equity capital. However, it should be mentioned that in the process of evaluation of the joint-stock company capital it is necessary to take into account not only the cost of joint-stock capital, which is a tangible form of value, but such features of the company's performance as the application of new scientific developments, technologies, their own trademark, their output competitiveness etc.

Therefore, the consideration of all the listed factors is the determination of real value of the joint-stock company, particularly, determination of real amount of money which could be received by a new owner while purchasing the enterprise, or the money which could be paid for the shares of the enterprise.

It should be noted that qualitative characteristics of financial statements and principles of their keeping are determined by the Law of Ukraine in compliance with which the information provided in financial statements must be: clear and understandable to its users; contain only adequate information, which influences the user's decision making, makes it possible to evaluate timely the past, present and future events, prove and correct their evaluation, made in the past; be truthful and give the opportunity to users to compare: enterprise's financial reports for different periods; financial statements of different enterprises.

Taking into account the fact that the operation of any economic entity, particularly the joint-stock company, is aimed at receiving a positive financial result, the necessity to research and improve the methods of gaining timely and accurate information about financial results of joint-stock companies arises.

The joint-stock company's equity capital is shown in financial reporting in form1 Balance Sheet (Statement of Financial Position), in form 2 Profit and Loss Account (Consolidated Income Statement) and in form 4 Statement of Owner's Equity.

In Balance Sheet (Statement of Financial Position) equity capital is shown in the first liabilities side as it is at the beginning and at the end of the accounting period.

In Profit and Loss Account (Consolidated Income Statement) the information about equity capital is represented in side II Consolidated Income.

Consolidated Income is the changes in equity capital during the accounting period due to economic operations and other events (except for the changes of capital as a result of operations with the owners).

Equity capital availability and changes in its content during the accounting period is displayed in the Statement of Owner's Equity. The information sources for filling in the given form of reporting are: balance by the types of equity capital at the beginning and at the end of a year – data of Balance Sheet (Statement of Financial Position); net profit for the accounting period – from Profit and Loss Account (Consolidated Income Statement).

It should be mentioned that display of the indexes of share profitability in financial statements is made up in section IV of Profit and Loss Account (Statement of Consolidated Income). Section IV of the Statement "Calculation of indexes of share profitability" is aimed at giving the information about the profit and dividends per one common share which was in circulation during the reported period.

Section IV of Profit and Loss Account (Statement of Consolidated Income) is filled in by joint-stock companies, common shares or perspective common shares of which are openly sold and purchased at stock and share exchanges, including companies which are in the process of issuing such shares.

Beside, for their display special standards which include the methods of

showing profits per shares and payments based on shares are applied.

Methodological basis for the formation of information about the net profit per one common share and its display in financial statements is regulated by P(S)BA 24 “Dividends” .

Methodological basis for the formation of business accounting of the information on operations, payments on which are carried out basing on shares with the application of own capital tools and/or funds (other equity), as well as its display in financial statements is regulated by P(S)BA 34 “Payment by Shares”. Table 1 shows the display of calculation of indexes of share profitability according to new requirements of preparation of financial statements

*Table 1.***Calculation of indexes of share profitability according to new requirements of preparation of financial statements (Section IV of Profit and Loss Account (Statement of Consolidated Income)**

Item title	Line Code	Data for statement	Footnote
1	2	3	4
Average annual number of common shares	2600	Average number weighted (number of common shares in circulation in days x corresponding time weighted coefficient)	Shows average weighted number of common shares which were in circulation during the accounting period. The example of calculation is given in supplement 1 to P(S)BA 24
Adjusted average annual number of common shares	2605	Line. 2600 + average annual number of perspective common shares	Presents average annual number of common shares in circulation, adjusted to average annual number of perspective common shares
Net profit (loss) per one common share	2610	(line 2350 or 2355 – dividends, accrued for preference shares)/ line. 2600	The index presented is calculated by dividing the difference between the amount of net profit (loss) and amount of dividends on preference shares by average number of common shares in circulation
Adjusted net profit (loss) per one common share	2615	Adjusted net profit (loss) / line 2605	Calculated as net profit (loss) deducting dividends on preference shares, multiplied by the amount of dividends (after paying taxes and interest), recognized in the accounting period as to diluting perspective common shares, grows or reduces by the number of other changes in profits and losses which arise in case of

			conversion of diluting perspective common shares (example of calculation in supplement 2 to P(S)BA 24)
Dividends per one common share	2650	Amount of published dividends/ number of common shares on which dividends are paid	Shows the index which is calculated by dividing the amount of published dividends by the number of common shares on which dividends are paid

Therefore, fluctuations in general market conditions displayed in the system of macroeconomic indexes does not allow to give a real estimate of value of capital of the joint-stock company.

It should be noted that contradictions of realization of the capital of the joint-stock company on a micro-level can be eliminated only through the introduction of the efficient mechanism of economic activity. The necessary element for promoting entrepreneurial activity can be a complex restructuring of joint-stock companies which is supposed to involve production, restructuring, personnel, organizational, commercial and managerial ones.

Conclusions. Making conclusions, the attention should be emphasized on positive and negative features of the formation of joint-stock capital in Ukraine. Consequently, positive features of joint-stock forms of capital are: the opportunity of raising a considerable amount of capital; reducing the level of risk for a single shareholder; stability of equity basis for the joint-stock company; the opportunity to attract wide groups of population to participation in the joint-stock company; the ability to function in any sphere of the economy complex; the opportunity to control the activity of the joint-stock company through owning controlling block of shares etc.

The negative aspects of joint-stock capital is a complicated mechanism of creating a joint-stock company, particularly a complex registration process and procedure of share capital contribution to statutory fund; requirements to the minimal amount of the authorized share capital; non-involvement of shareholders in the company’s management; dominating interests of a major shareholder; complicated organization of management due to the structure of

joint-stock property and the company size; a large size of the company which restricts the competition in the industry and evokes tendencies to economy monopolization.

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