THE CONCEPT OF A SUBJECT OF A SMALL ENTERPRISE IN UKRAINIAN LEGISLATION: VARIETIES AND METHODS OF AGREEMENT

Annotation. The article considers the concept of a small business entity in Ukraine in accordance with current legislation. Differences in the criteria for classifying an enterprise as a small business entity in accordance with Ukrainian regulations are highlighted. Proposals have been made to eliminate them.

Key words: economic code, enterprises, small business entity.

Entrepreneurship is a socio-economic institution and an integral part of the economic system of any country. Entrepreneurial activity is a legal form of management in the world.

Ukraine has a well-developed small business network. However, in the legislative aspect there are inconsistencies regarding the criteria of small businesses. This applies to the Commercial Code of Ukraine [1] and the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» [2]. Therefore, the chosen topic is quite relevant.
The purpose of the article is to explore the concept of a small business entity in Ukrainian legislation, to clarify existing differences and to suggest ways to agree on criteria.

According to paragraph 1 of Article 55 of the Commercial Code of Ukraine, economic entities are participants in economic relations that carry out economic activities, exercising economic competence (set of economic rights and obligations), have separate property and are liable for their obligations under this property, except as provided by law [1].

According to paragraph 2 of Article 55 of the Commercial Code of Ukraine, business entities are:

1) economic organizations - legal entities established in accordance with the Civil Code of Ukraine, state, municipal and other enterprises established in accordance with this Code, as well as other legal entities engaged in economic activities and registered in the manner prescribed by law;

2) citizens of Ukraine, foreigners and stateless persons who carry out economic activities and are registered in accordance with the law as entrepreneurs [1].

In accordance with paragraph 3 of Article 55 of the Commercial Code of Ukraine, it is emphasized that business entities, depending on the number of employees and income from any activity for the year may belong to small businesses, including micro, medium or large businesses [1].

Consider the criteria for determining the subject of small business and microenterprise in accordance with the Commercial Code of Ukraine (Fig. 1).


According to paragraph 2 of Article 2 of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» for the purposes of this Law, enterprises (except budgetary institutions) may belong to micro, small, medium or large enterprises [2].
<table>
<thead>
<tr>
<th>Economic Code of Ukraine (Article 55)</th>
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<tbody>
<tr>
<td><strong>The subjects of micro-entrepreneurship are:</strong></td>
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<tr>
<td>Individuals</td>
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<td>registered in the manner prescribed by law as natural persons - entrepreneurs, whose average number of employees for the reporting period (calendar year) does not exceed 10 people and annual income from any activity does not exceed the amount equivalent to EUR 2 million determined at the average annual exchange rate of the National Bank of Ukraine</td>
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**Fig. 1. Criteria for determining the subject of small business and the subject of microenterprise in accordance with the Commercial Code of Ukraine**

**Law of Ukraine**

«On Accounting and Financial Reporting in Ukraine» (Article 2)

<table>
<thead>
<tr>
<th>Microenterprises are:</th>
<th>Small are:</th>
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<tr>
<td>enterprises whose indicators at the date of preparation of the annual financial statements for the year preceding the reporting year meet at least two of the following criteria: - book value of assets - up to 350 thousand euros; - net income from sales of products (goods, works, services) - up to 700 thousand euros; - average number of employees - up to 10 people.</td>
<td>enterprises that do not meet the criteria for micro-enterprises and whose indicators as of the date of preparation of the annual financial statements for the year preceding the reporting year meet at least two of the following criteria: - book value of assets - up to 4 million euros; - net income from sales of products (goods, works, services) - up to 8 million euros; - average number of employees - up to 50 people.</td>
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**Fig. 2. Criteria for determining micro-enterprises and small enterprises in accordance with the Law of Ukraine «On Accounting and Financial Reporting in Ukraine»**
Consider the criteria for determining small businesses in accordance with the Commercial Code of Ukraine (Fig. 2).

Thus, in accordance with paragraph 3 of Article 55 of the Commercial Code of Ukraine and in accordance with the Law of Ukraine «On Accounting and Financial Reporting» the following differences and / or inconsistencies can be identified:

1) Different terminology is used
2) Different number of criteria is indicated;
3) Different amounts of different types of enterprise income;
4) There is no unity on the separation of individuals and legal entities (Fig. 3).

<table>
<thead>
<tr>
<th>Types of equivalences</th>
<th>Economic Code of Ukraine (Article 55)</th>
<th>Law of Ukraine &quot;On Accounting and Financial Reporting in Ukraine&quot; (Article 2)</th>
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</thead>
<tbody>
<tr>
<td><strong>Terminology</strong></td>
<td>Micro-business entities</td>
<td>Microenterprises</td>
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<td><strong>Terminology</strong></td>
<td>Small businesses</td>
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<td><strong>Terminology</strong></td>
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<td><strong>Terminology</strong></td>
<td>Entities</td>
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<td><strong>Number of criteria</strong></td>
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<td>3 criteria:</td>
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<td></td>
<td>- The average number of employees,</td>
<td>- book value of assets:</td>
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<td>- annual income from any activity</td>
<td>- net income from sales of products (goods, works, services);</td>
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<td>- The average number of employees, however, it is noted that &quot;meet at</td>
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<td>least two of these criteria&quot; (income, number,</td>
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<td><strong>Different types of</strong></td>
<td>Annual income from any activity</td>
<td>Net income from sales of products (goods, works, services)</td>
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<td><strong>income</strong></td>
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<td><strong>Different amounts of</strong></td>
<td>- does not exceed the amount equivalent to EUR 2 million,</td>
<td>- up to 700 thousand euros;</td>
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<tr>
<td><strong>income</strong></td>
<td>- does not exceed the amount equivalent to EUR 10 million</td>
<td>- up to 8 million euros;</td>
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**Fig. 3. Types of equivalences**

Small business remains one of the most influential sectors of the economy and at the same time, as experience shows, gives the right to solve serious problems of socio-economic and political direction. In the context of European integration, small business is the most effective tool for increasing national production, work
and basic services, solves the priority problems of employment and a decent standard of living and development of society [3].

The objects of small business are small in quantitative classification parameters of the enterprise, within which the most effective combination of factors of production in order to maximize profits. It is the new ways of combining economic resources that distinguish an entrepreneur from an ordinary business entity.

According to the method of management small business is characterized by the following defining features:

- economic isolation, independence of economic entities in the choice of directions and methods of activity, but with due regard to market conditions and within the legal norms;

- responsibility for decisions, their consequences and the associated risks. In any of the most accurate calculations, uncertainty and risk occur in business;

- focus on achieving commercial success, the desire to maximize profits, self-realization through the implementation of their knowledge, skills, abilities and bold ideas. At the same time, satisfying his, purely personal, interests of obtaining a high income, the entrepreneur contributes to the achievement of social effect.

As a special type of economic thinking, small business is characterized by a set of original views and approaches to decision-making, which are implemented in practice.

Specific features of small business should be considered primarily its quantitative and qualitative classification parameters, which differ depending on the national characteristics of countries. In addition to the above quantitative characteristics (number of employees, annual turnover), defined by current legislation of Ukraine, quantitative parameters also include market share, equity, fixed assets and current assets, number of products, low management costs per unit of output [4].

At the current stage of small business development, these businesses are most vulnerable to changes in the economic, political and social spheres of the country,
and therefore, such businesses are at high risk of bankruptcy. For small businesses, it is important to keep detailed accounts in order to form complete and reliable information for integrated management of all business processes, ensuring internal control and analysis of financial and economic activities, assessing investment attractiveness and solvency and competitiveness of the business entity internally and externally. markets, as well as meeting the needs of information users. Therefore, the issue of improving the financial reporting of small businesses is related to the improvement of accounting and should be addressed in accordance with its forms.

As Accounting Regulation (Standard) 25 «Simplified Financial Statements» provides for the possibility of supplementing the financial reporting indicators for small enterprises, it can be improved with the help of inscribed lines that will provide relevant information about the activities of the enterprise [5]. It should be noted that there is an International Financial Reporting Standard for small and medium enterprises from 01.01.2013 [6].

Consider the advantages and disadvantages of small business.

Advantages of owning a small business:

- Entrepreneurs themselves choose with whom to do business and how to do it;
- The manager can personally participate in any stage of the process - from design to sales. This characteristic is attractive to those who are "burning" with the idea of creating a business in accordance with their ideas;
- often the leaders of small businesses - sole proprietors, and hence the main beneficiaries of their profits;
- the opportunity to use a simplified taxation system, easier to administer and with lower rates. Individuals and legal entities of certain types of activity with an annual income of up to UAH 7.2 million can switch to it.

Cons of small businesses:
- financial risk borne by the business owner. In most cases, when a small business receives start-up financing through a loan, it must provide collateral for personal assets such as housing;

- extended working day. Working for yourself, on the one hand, you can set a personal schedule. But often small business owners have to work 50-59 hours a week;

- reduction of maneuvers for diversification. As a rule, small businesses focus on one activity. Falling revenue from it can lead to bankruptcy [7].

Given the importance of small business for the state economy, it is essential to systematize and reconcile at the legislative level all inconsistencies and differences in terminology, criteria and digital (quantitative and cost) restrictions and recommendations on the concept of small business entities. All these requirements must be agreed in the Commercial Code of Ukraine, the Law of Ukraine «On Accounting and Financial Reporting in Ukraine», in the Regulation (Standard) of Accounting 25 «Simplified Financial Reporting».

Thus, inconsistencies and differences in the concept of small business entities were revealed in the legislative and regulatory acts of Ukraine and proposals were made to eliminate them.

References


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