

DEPRECIATION AS DRIVING FACTORS OF INVESTMENT IN AGRICULTURAL ENTERPRISES

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Abstract: *It is grounded that in domestic practice of management depreciation today is one of own sources of financing of reproduction of fixed assets, and the profitability of productive activities and reducing the possibilities of financing through lending as their main source of investment, therefore, study the issues of depreciation and the depreciation policy is the key to growth of investment activity of economic entities. It is underlined that in practical activities of agricultural enterprises, the formation of own sources of financing of the investment through depreciation charges is insufficiently expressed. It is formulated for agricultural enterprises it is expedient to create a Fund to Finance investment, which should consist of depreciation intended for the recovery and renewal of fixed assets. The mechanism of formation of the Fund will form a sufficient volume of own investment resources, which will take place the necessary volume of own investing resources, of the Fund provides the ability to generate a sufficient volume of own investment resources, due to the value depreciation that is on Deposit account, and the segment profit before tax, which is equal to the sum of the indexed depreciation. The proposals for creation of sinking Fund by reserving site restoration costs of fixed assets after the expiration of the period of use of assets. The proposed method of formation of the amortization Fund will allow companies to keep sinking resources into reproduction of fixed capital in their terms of value, which will contribute to the maintenance of expanded reproduction of production through technological upgrading.*

Keywords: *depreciation, investment funds, sinking Fund, investments.*

JEL Classification: *G10, G11, M20, O16, O42*

Introduction

Effective investment activities in any sector, including agriculture, defined the rational use of investment resources. Formation of investment resources is an important part of the investment and the overall financial strategy of industrial structures and the primary condition for the implementation of the investment process in all its stages. An obligatory condition for the functioning of any business entity is the creation and playback of investment flows that provide growth of agricultural enterprises. But now because of the lack of a clear regulatory framework is not given much attention assessing depreciation – a play based on the production capacity of entities in agribusiness. It should be noted that from a macroeconomic perspective depreciation is the return of the expenses in the production process by financing the restoration of labor. In the context of micro depreciation represent the financial result of the transfer of fixed assets and intangible assets of enterprises and organizations the cost of production, resulting in emerging source of their financial resources.

Analysis of recent research and publications

The study of the problems associated with the assessment of the role of depreciation as a source of investment resources, in the scientific literature devoted quite a considerable amount of work. Thus, in particular, L. Gorodnyanska explores areas of reproduction of resources at the enterprise level [1], B. Pshick explores ways to improve the depreciation policy and its role in the development of financial-credit relations of the state [2]. Scientific works of Y. Pivnyak [3] A. Jeremiya [4] aims to study the main concepts of depreciation and its role functions in a business enterprise. The effectiveness of methods of depreciation and the choice of the appropriate method of assessment for the enterprise researched the V. Lesniak [5] and M. Kotova [6]. Practical aspects of

obtaining information on the resource base of capital investments, including the accumulation of information on the use of depreciation amounts substantiated in his writings V. Len [7]. However, most scientific works were not accorded much attention to features of formation and use of depreciation in the agricultural enterprises in modern conditions of managing.

The aim of the article. The article is to examine the features of depreciation in the formation of investment resources and develop practical recommendations for improving the investment support of agricultural enterprises.

Presenting main material. In the process of productive activity, the basic agricultural funds, while retaining the original material form, gradually wear out. To replace worn-out fixed assets, enterprises must accumulate the necessary funds, that is, the amount of depreciation of fixed assets must be constantly recovered from revenue. This is achieved by charging depreciation included in the cost of production.

It is known that depreciation a process of gradual transfer of fixed assets and intangible assets based on their acquisition cost, production improvement according to the depreciation rates established by legislation.

In Ukraine, the depreciation is governed by Regulation (standard) of accounting № 7 "Fixed assets" [8] for accounting purposes and the Tax code of Ukraine [9] – for tax purposes.

In our opinion, depreciation under the current conditions of economic management should perform the following functions:

- reimbursement of funds invested in the means of labor (one of the purposes of depreciation is the return of capital invested in the means of labor through the transfer of their value to the value of the finished product);
- reproductive function (ensuring the re-creation of physical and moral wear and tear on the means of labor by accumulating the necessary amount of money in the depreciation fund);
- cumulative function (ensuring the accumulation of depreciation deductions in the depreciation fund);
- accounting function (depreciation is a means of systematic reflection in the accounts of the process of transferring the cost of labor to finished products produced with their use);
- fiscal function (depreciation creates opportunities for the enterprise to regulate the level of paid taxes, and for the state - creates opportunities for the implementation of tax policy).

The allocated functions reflect, as much as possible, the essence of depreciation in the market conditions of business management of enterprises. However, we believe that it is advisable to delimit these functions at the macro and micro level.

It should be noted that the fiscal function of depreciation creates at the macro level opportunities for the state to regulate the level of taxable profits and revenues from this profit to the budget. At the micro level, the fiscal function of depreciation is manifested in the ability for enterprises through the use of accelerated depreciation in the short term to receive tax benefits.

The accumulation function of depreciation at the macro level has a manifestation in the concentration of fixed capital in the sphere of material and non-material production in the accumulation of significant volumes of productive potential. And at the micro level – the accumulation of depreciation charges in the depreciation fund of the enterprise, and in case of transfer of depreciation to the sphere of circulation – the creation of value added.

So, depreciation, which has a manifestation in a complex of interrelated functions, is a complex economic category, a tool for regulating the activities of enterprises both at the micro- and macrolevels, and also as the central element of depreciation policy.

Note that since depreciation is an instrument of state regulation of the economy, it is additionally possible to distinguish such functions:

- stimulating function (accrual of depreciation, formation and use of an amortization fund should stimulate enterprises to reproduce worn out and renew existing means of labor);
- regulatory function (establishment and use of legally fixed norms and standards for the implementation of depreciation settlements, the procedure for the formation and use of an amortization fund) [10].

It should be noted that depreciation charges are one of the most important sources of financing the reproduction of fixed assets, which makes it possible to improve their composition and structure, and to increase the competitiveness of their products. This source of financing is not taxed and reduces the taxable profit of enterprises, no additional costs are required related to the mobilization of these funds. The amount of depreciation depends on the depreciation rates and the book value of fixed assets.

In practice, enterprises apply various methods for calculating depreciation charges that are legally consistent with the state's depreciation policy. Methods of depreciation allow you to regulate investment processes, reduce the tax burden on the enterprise.

In accounting, depreciation may be charged in one of the methods specified in clause 26 P (s) BU № 7 "Fixed assets" [8]:

- straightforward;
- reduce the residual value;
- accelerated reduction of residual value;
- cumulative;
- production.

Straight-line method (the method of straight-line write-off), followed by annual depreciation is calculated by dividing the value that is depreciated by the expected period of use assets. Used as fixed assets, form an inflow of economic benefits from the use of which is evenly distributed over time. Equally important in the application of this method is the useful life of an asset that the company must evaluate yourself based on the intensity and other conditions in use.

The method of reducing the residual value, on which annual depreciation is calculated by multiplying the residual value of the object at the beginning of the year or the original value at the date of the start of depreciation and annual depreciation.

The method of accelerated reduction of the residual value, on which annual depreciation is calculated by multiplying the residual value of the object at the beginning of the year or the original value at the date of the start of depreciation and annual depreciation rate, which is calculated based on the useful life of the object, and doubles.

Cumulative method by which the annual amount of depreciation is calculated by multiplying the value that is depreciated, and cumulative ratio. The cumulative rate calculated by dividing the number of years that remain until the end of the expected life of a fixed asset, the amount of the number of years of its useful life. The advantage of this method is that at the beginning of the operation is written off most of the value of fixed assets, write-off rate further slowed down, thus reducing production costs.

The production method by which the monthly depreciation is calculated by multiplying the actual monthly volume of goods (works, services) and production rates of depreciation. The production rate of depreciation is calculated by dividing the value that is depreciated, the total amount of goods (works, services), which the company expects to produce (perform) with the use of fixed assets [11].

Each method of depreciation must pursue a common staff provide a systematic and rational allocation of the purchase price for long-term asset depreciation for future periods of its useful life. Enterprise chooses depreciation method and can modify it under the condition that the new method is received greater economic benefits from its use.

When selecting methods should be guided by the following principles:

- line method of depreciation impact of physical and moral deterioration and performance economic environment;
- compliance with applicable legal and regulatory requirements permitted depreciation methods and useful life limitations objects for their respective classification for depreciation of fixed assets;
- feasibility of various methods, including accelerated depreciation and useful life in accordance with the financial and property status of the enterprise;
- line depreciation method and useful lives of fixed assets write-off position playing the needs of logistics [12].

The depreciation starts from the month following the month in which the asset was fit for use in business activities and held monthly.

1 section 3 of article 138 of the Tax code of Ukraine (TCU) [9] allowed the use of depreciation methods, with the exception of production, and P(C)BU № 7 "Fixed assets" [8], however, in the 3 section 3 of article 138 of the tax code [9] is set to the minimum allowable useful lives of fixed assets. In particular, the minimum allowable useful life for machinery and equipment is 5 years, vehicles – 5 years, tools, devices and equipment – 4 years [9].

The economic meaning and purpose of depreciation is to ensure the restoration and recovery of property, modernization and reconstruction of production and it can not be used for other purposes other than capital investments. Despite the lack of clarity in the regulatory provisions regarding the use of the depreciation fund for 2010-2014. The value of investments by source of funds increased by 49%, or 235.7 thousand UAH.

In the leading countries Shock legislation other than the traditional uniform depreciation write-off involves the use of preferential order of depreciation of equipment (accelerated depreciation). The aim of this approach is to encourage intensive upgrade of production and overcome the obsolescence of technology. Accelerated depreciation rates used in the US, UK, Germany, Japan, France, Italy and other countries. In Germany permitted the cancellation of 40% of the cost to purchase new equipment for the first year of operation.

Since the national practice of economic depreciation is currently one of their sources of financing reproduction of fixed assets, and subject to reduction in the yield of production activity and decreased funding from lending – as the main source of investment, therefore the study of depreciation and amortization policies and their regulation is the key to growth in investment activity of economic entities [13].

According to P (S) 7 "Fixed Assets", depreciation – this systematic allocation of the cost that depreciable fixed assets over their useful life (operation) [8].

As we can see, this definition does not include the phenomenon of impairment of fixed assets, although in p. 31 P (S) 7 "Fixed Assets" provides that "the loss from impairment of fixed assets are included in the cost reporting period, with the increase in the balance of the amount of depreciation ... ". According to scientists, depreciation of fixed assets should be defined as the amount of decrease in the value of fixed assets from the beginning of their useful life, which is the sum of depreciation since the beginning of operation, impairment, revaluation amounts of wear and tear, reduced by the amount of useful updates the value [14, 15].

There are physical and moral depreciation of fixed assets. Physical deterioration (physical (material) operation) – is the gradual loss of fixed assets use value, that is their original technical and performance in use, which reduces the real value of their (economic operation) and therefore it can not be operated in later in production without repair. That meant purely physical wear certain items of fixed assets.

According to A.P. Shapoval, there is a third type of wear by the forces of nature, which is related to the influence of external factors that lead to their cost of fixed assets [16].

In our opinion, this type of wear can be classified as physical, expanding the interpretation of the latter. That is, when physical depreciation should understand the gradual loss of fixed assets as a result of use-value features of their use in the production process with the influence of environmental factors, resulting in a decrease of the initial cost and there is an urgent need for repairs. Consequently, depreciation and amortization due interrelated and concepts of accounting.

If the wear indicating the degree of change in the value of fixed assets from the beginning of their use in the production process, losing of value over time and production factors, the depreciation characterizes that part of depreciation transferred to manufactured products, and that value is calculated in the cost of reporting period, i.e a share operation, depreciation for a particular period. Thus, the concept of depreciation is broader than depreciation into account because the value of fixed assets transferred to the products for the duration of use, and depreciation – just over a reporting period of time and include the costs of production and operations. However, depreciation is a prerequisite for depreciation.

Based on the above, it can be argued that one of the functions of depreciation is to preserve capital at a constant level. That depreciation funds coming to the company, have purpose and are used for the reproduction of fixed assets. Thus, M. Chumachenko believes that depreciation have a dual function: they are estimated costs in production costs, and the sum of revenue from sales –source of investment financing company [17]. According to other researchers, depreciation – a process by which the value of the property, buildings and equipment allocated during its working life, and the purpose of depreciation is compensation as a result of using this initial allocation of assets.

So, thanks to sinking fund provided by reimbursement of capital to the extent of its deterioration, the money that is in circulation, the more or less long forms again accumulated capital that the acquisition of capital becomes a medium of exchange. That is why representatives of classical economics emphasized the need to create a "reserve fund of money" from the proceeds of the goods sold to reproduce worn fixed assets [18].

Thus, depreciation – a process that shows methods of accounting is the process of converting the value of fixed assets by transferring its current living labor to create finished products, goods or services. Cost of goods sold takes cash. Transformed in current cost of fixed assets also takes cash. It is important that only the acquisition of goods and cash only if complete settlement transformed from fixed assets to current cost of fixed assets as a sinking fund becomes a real source of investments in real financial resource purposes. This means that only when the process of sale of goods took place, as an economic category amortization completes its life cycle, and the accrued depreciation amount to financial support for new real investments in fixed assets.

It should be noted that the feature depreciation reflected in the fact that it uses to function only if break-even enterprise, i.e. to the actual flow of funds to the enterprise in an amount not less certain production costs, some of which will be the source of creation depreciation fund to be used for simple reproduction of fixed assets.

In order to ensure targeted use of depreciation considered proposals for a depreciation fund by reserving the costs for recovery of fixed assets at the end of life of the assets. In particular, a number of scientists are inclined to believe that the depreciation costs, which come to the company to have purpose and be used for reproduction of fixed assets [19].

This emphasizes the need to introduce compulsory transfer of businesses cash in the amount of accumulated depreciation to a special single account, thus reserving resources for fixed assets. Note that the depreciation fund formation practice existed in Soviet times. Then the amount of depreciation in its entirety attributed to an increase in depreciation fund together with its calculation. The main drawback of this procedure was that the sinking fund was formed, and the assets that it provided, were received by the company selling products if the price was below cost. In this first centralized funds transferred to the bank, then this abandoned and left them at the disposal of the company, but the use of funds is not monitored, and they are used for current needs of the company. Under IFRS depreciation is not a source of funding for new asset.

Considering the features of IFRS 16 "Property and equipment", should pay attention to a distinct identity to the standard resource concepts of depreciation, which is based on generally accepted accounting principles but does not consider renewable function amortization and financial aspects of its accrual. According to paragraph 48 of IFRS 16 depreciation for each period shall be recognized in profit or loss if they are not included in the carrying amount of another asset. The above allows the state to compensate the company by reducing the amount of depreciation tax base for the amount of deductions. Reservations actual funds for this purpose in separate accounts (as it was in Soviet times) in market conditions is not economically justified, since diverts funds from economic circulation. Depreciation can be seen as a market economy, a source of financing investments, based on its financial component – the real money in revenue from sales of goods (products and services), and which have accumulated for intended use.

Consider the features of investment resources farms. The data table 1 shows that the largest share in the structure of funding sources take their own funds: in 2015 – 55.2%, loans – 16.6, foreign investments – 24.4, the state budget – only 0.1%. Note that there is a reduction in the share of public funds. Thus, the main source of investment activity of agricultural enterprises have their own resources to weighty role to play in net profit.

**Table 1. Dynamics of structures and investment in agriculture by source revenues
(at current prices)**

Year	Total	State budget	Funds of local budgets	Own funds of enterprises and organizations	Including		Bank loans and other loans	Including		Foreign investors	Domestic investment funds companies, foundations, etc.	Other sources funding
					Due to depreciation			Loans foreign banks	Mortgages			
2012	11311252	193092	42818	9113387	480457	1204642	57238	-	124815	6431	626067	
2013	16702650	180912	37000	13265717	685660	2284927	138470	2820	104392	4060	825642	
2014	19085668	73253	51402	15970894	639955	2319403	368690	62467	15353	348	655015	
2015	18639671	28319	47196	15718366	716181	2400214	70409	25992	43225	4393	397958	

Source: calculated according to the State Statistics Service of Ukraine.

In addition to net income to its own sources also include capital depreciation in decisions on its use businesspersons received full independence. In the current environment is not able to control the proper use, resulting in cases of channeling funds for various purposes. However, the depreciation of their economic content with targeted investment destination in reproduction and renewal of fixed assets. If the amount exceeds depreciation needs to upgrade, they can and should be directed to the implementation of investment programs or capitalization. However, domestic enterprises often use depreciation for working capital rather than investment in fixed assets. Thus, control of target use depreciation fund advisable to maintain and strengthen legislation as accelerated depreciation of capital is the target of tax benefits. The economic meaning and purpose of depreciation is precisely in order to ensure the restoration and recovery of assets, modernization and reconstruction of production and can not be used for other purposes other than capital investments. Despite the unclear regulatory provision regarding the use of the depreciation fund for 2012-2015. The value of investments at the expense of financial resources increased by 49%, or 235.7 thousand UAH.

Because of inefficient depreciation policy and inflation is almost completely lost the main role of amortization – a source of simple reproduction of fixed assets. Now when calculating depreciation method companies use the residual value that has been recommended for transfer of taxation in accounting. Agriculture machinery and equipment accounted for at cost, which did not change after indexation. Most of the technical means owned farms or they rent it, worked out a more useful life and almost completely worn out, so a low cost. In calculating depreciation on residual value of equipment depreciation is ten times less than the current price of such technology.

It should be noted that the depreciation cost structure in 1990 was 10.2%, while in 2015 this figure fell to 5.7%. Total accumulated depreciation decreased almost threefold, which does not provide even simple reproduction. Obviously, this situation is caused by various factors, where the greatest impact is the reduction of fixed assets.

At the stage of agricultural production and the formation of its cost depreciation is one of the articles forming production cost. In this situation, the depreciation should be a source of investment. However, it becomes a source of investments in the sales of finished products and obtaining revenue. Most farms that are in the simplified tax system they consider methods are outdated. That is they pay the tax, the amount of which depends on agricultural land and the income obtained from economic activity, not taxable. Depreciation in most agricultural enterprises is carried out by the residual value.

Proof is the results of grouping farms the share of depreciation in the cost of primary production (tab. 2).

Results grouping show that the profitability of agricultural production increases with increasing share of depreciation in the cost of primary production. Thus, the share of depreciation in the cost structure of the seventh group of farms increased compared with the first 19.6 pct, while profitability increased by 24.2 pct.

The positive thing to be considered cover costs incurred by increasing the productivity of livestock. Thus, the level of average yields in the latter group compared to the first farms increased by 26.6%, average daily increases of cattle – 6.8%, pigs – 30.7%. This fact indicates that due to significant modernization of the process of major livestock production, which led to a noticeable increase in productivity of farm animals, could offset the costs incurred in the form of depreciation. Currently, the amount of depreciation should correspond to the actual participation of fixed assets in the production process. Compliance with the amount of accumulated depreciation and its accumulation – the issue of present and future for the review of agricultural enterprises. The size of depreciation depends on the amount of income subject to taxation. For the state - is revenue, but for farmers – the amount of funds for fixed assets. Enterprises interested in as higher depreciation rates, the introduction of accelerated depreciation methods in order to reduce the profit before tax.

Table 2. Grouping of farms by the share of depreciation in the cost of primary production, in 2015

Indicator	Group depreciation in the share of spending on primary production, %						
	I 1	II 1,01-2,5	III 2,6-5	IV 5,1-7,5	V 7,6-10	VI 10,01-15	VII more 15
Number of farms in the group units.	1025	1290	1857	1382	939	876	553
Per 1 ha of agricultural land, production costs UAH	7150	7014	7709	6421	6695	6627	6080
including material costs	5459	5041	5579	4197	4503	4228	3493
Amortization	40	128	292	402	585	799	1229
The share of material costs in total expenditures, %	76,4	71,9	72,4	65,4	67,3	63,8	57,5
The share of depreciation in total expenses, %	0,6	1,8	3,8	6,3	8,7	12,0	20,2
The level of profitability, %	12,7	18,1	8,3	4,1	8,4	11,8	36,9
including crop	9,5	21,5	9,9	6,5	7,5	12,3	17,2
livestock	25,9	7,1	4,7	-3,8	12,0	9,9	87,6
Yield: corn, ts	56,2	47,1	43,2	42,5	44,9	41,2	35,7
including maize	79,0	71,7	67,2	65,6	68,1	65,9	59,0
sunflower, ts	24,3	23,9	23,2	23,7	24,3	25,3	23,5
sugar beet and quintal	371,3	452,0	426,5	395,6	410,0	426,9	407,3
Hopes per cow, kg	4386	4614	4698	4974	5803	5901	5555
Average daily cattle	452	470	489	454	501	504	483
Average daily pig	336	351	444	472	456	483	439

Source: calculated according to the State Statistics Service of Ukraine.

It is established that the unresolved issues in the present context is the question of depreciation on long-term biological assets. Thus, the adoption of the new Tax Code of Ukraine introduced changes to the P (S) 30 "Biological assets". In particular, paragraph 11 of P (S) 30 provides that long-term biological assets fair value on the balance sheet significantly can not be determined, or if the company is a taxable income may be recognized and reflected at cost with the amount of wear and loss of impairment.

Consequently, the P (S) 30 "Biological Assets", and methodological recommendations on accounting of biological assets depreciation object is long-term biological assets measured at cost. For biological assets are measured at fair value, depreciation is not charged. Methods are provided for P (S) 7 "Fixed Assets". In our view, the most appropriate for this group of non-current assets (group 16) could be two methods: straight and production. Straight-line method is the simplest and evenly over the life of the object size into account depreciation, and production – takes into account the performance of perennial plants and adult animals, which are long-term biological assets. Use straight or production method - the choice is now. If you can determine in advance the productivity of perennial plants and adult animals belonging to the group of long-term biological assets over their useful life, it is advisable to use a production method. Otherwise, to provide objective information to better use the straight-line method. In any case, the decision to adopt the method of depreciation to be displayed in the order of accounting policies.

Some authors propose to abandon the depreciation on long-term biological assets livestock. So, V.B. Mossakovskyy notes that depreciation animals the herd in their assessment at cost leads to a systematic reduction in the residual value of the animals, while the cost of animals at fair value, systematically increase due to increase their weight and higher prices for animals due to inflation and other reasons [20]. This idea deserves attention, more research needs and can be used in amending the regulations on accounting.

The use of above proposals provide an objective forming actual production costs and depreciation of forming the chosen best method.

Note that some degree of amortization associated income tax. Generally, with an increase in depreciation rates and increasing tax rates on profits. As most farms do not pay income tax, it would be appropriate to the technical means of production for agriculture set higher depreciation charges. In practice, this can be done on the basis of factors.

For those agricultural enterprises that pay tax, you need to exempt from taxation the portion of income used for the purchase of technical equipment. In case of early sale of fixed assets before depreciation period of the tax not paid should be returned to the budget.

Thus, the accounting standards make it possible to implement a multivariate approach to the calculation of depreciation for effective cost management and, therefore, financial results. The presence of the depreciation fund does not mean the actual availability of funds that can be invested in new facilities and equipment.

It should be noted that the practice of agricultural enterprises form their own sources of financing investment through depreciation is not expressed. Thus, in terms of inflation and steady growth of prices for equipment and other fixed assets depreciation accumulation becomes unprofitable and does not provide simple reproduction, and often steer their businesses in other areas of use, not providing updated capital. Out of the situation, sees in the formation of stock funds, which are the basis of depreciation enterprises [21].

Based on the above, it can be concluded that farms advisable to create a fund to finance investment, which is the fund of funds for reimbursement and fixed assets. It should consist primarily of depreciation. In terms of display destructive phenomena in the economy proposed to UAH depreciation based on inflation, using the approved rate of inflation. Another thing we should recognize the ability to store depreciation in interest bearing accounts, with an additional source of income, such as interest on bank deposits. Thus, the fund finance investment company shall form a separate fund of funds and consist of direct depreciation, and the amounts resulting from depreciation indexed for inflation and bank interest charged on depreciation. The amount of indexation depreciation advisable to recover from profit before tax, subject to its exemption from income tax, if the farms will provide general taxation.

So, in order to implement this approach, we offer a set of investment incentives and tax innovations that include: exemption from income tax of taxable income involved in shaping the investment fund financing in the form of indexed accumulated depreciation given the level of inflation; depreciation fund deposit funds on deposit in the bank; for ease of calculation and the possibility of periodic withdrawals from the deposit is recommended for deposit agreement for one year; the fund should be directed exclusively to finance capital, the funds used inappropriately should be imposed financial sanctions; the formation and the intended use of the fund can be tax preferences regarding taxation of interest income from deposit money in a deposit account, namely the exemption of income from taxation.

More detailed consideration to the indexed cost of depreciation by revenue. After all, in terms of the overall tax system may have some difficulties in determining the tax base for income tax. When using the proposed method of release should profit allocated to index, with documentary evidence of capital funding from the fund.

Obviously, indexing depreciation from profit before tax have the opportunity to farms with a fairly stable financial position and positive financial and economic activity.

Conclusions

We believe that the above formation mechanism financing fund investment allows to form sufficient investment resources, which consist of depreciation, bank interest, at the expense of the value of depreciation, which is deposited in the account, and part of the profit before tax, which amounts indexed depreciation. The technique of forming the fund will allow companies to save depreciation resources allocated for the reproduction of capital at their indexed value, ie inflation, which will contribute to keeping the expanded reproduction of production through modernization of technical base. Obviously, this approach to the formation of the accumulation fund depreciation is possible only if the break-even operation of agricultural enterprises. In the case of loss-making operation of the business depreciation allocated to cover losses and have no purpose. This means that depreciation for fixed assets is no recovery, which leads to the conclusion of the crisis.

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