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[mariya.pylypiv@gmail.com](mailto:mariya.pylypiv@gmail.com)**ACCOUNTING SUPPORT ORGANIZING IN THE SYSTEM OF  
WORK PARTNERSHIPS AMONG COMMERCIAL BANKS**

**Abstract.** The authors examine the meaning of the term “system of work partnership among commercial banks”. We analyzed modern condition of business relationships in the system of work partnership among banks. We explored the information accounting streams in the system of work partnership and argue the need to divide it into three levels of work relations. The authors provide the modules of technological process which serve the goals of effective collaboration with banks and their partners. We discovered the interdependence between the accounting system of the bank with other sub-systems of management and formation of accounting.

The authors establish the necessity to reform the accounting of the results of work partnership of banks and to determine the structure of such an accounting report. We show that rational organization of work partnership supports the improvement of information accounting about the work

of the bank and selection of future work partnership and effective components in the politics of collaboration.

**Keywords:** provision of information accounting, accounting process, work partners, system of work partnership, business connections, commercial banks.

**JEL Classification:** M41, G21

### **Introduction**

Organization of accounting process is the basis for the guarantee of stable activity for work systems of the bank, effective functioning of the accounting system, and overall banking system as a whole. The idiosyncrasies of technical support of organization of bank systems, tasks that not formed correctly by their leadership, and also the provision of new objects of accounting, which support the formation of more detailed information about the activity of the organization and the development of work partnership create the need to find solutions for improvement by scientists and accountants-practitioners alike.

The problems of effective organization of accounting systems are described in various scientific works in Ukraine and abroad. These include V.A. Deriy, L.M. Kindratska, S.O. Levytska, N.V. Nakonechna, N.C. Stryk, and G.P. Golybnicha and others. However, the analysis of modern literature shows that the question of organization of accounting system in the conditions of improving the productivity of business relationships requires further study.

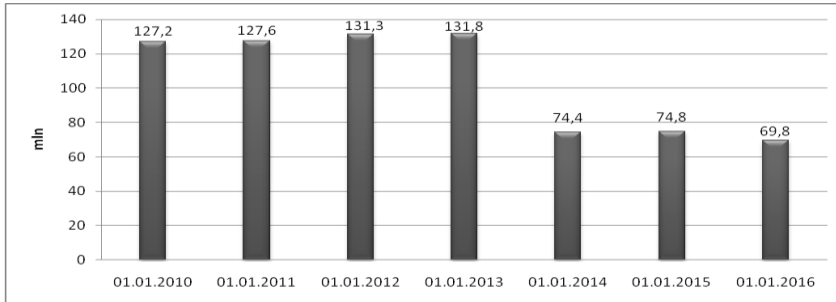
The goal of the paper is to improve the organization of information accounting in the system of work partnership of commercial banks for forming decisions regarding partnership.

### **Results**

The formation of modern economy has resulted in the formation of interest to the activity of the work of the banks, which is based on their functions, most important of which, is the deposit, credit, and accounting roles. However, economic crisis in the country has provoked crisis events in the reputation of banks, as a result of the effective implementation of their activity and formation of economic relations with other work partners. The extent of such relations, which are formed in the system of the work partnership of banks in the national economy, can be seen from figures 1-2 below.

According to data from the reporting form (reporting form No 410 "Report on the number of bank customers and the number of accounts opened by customers") as of 01.01.2016 120 banks serve 69.8 million customers, including corporate and individual customers (residents and non-residents) who have opened current and saving accounts, of which:

67.7 million - individuals; 2.1 million - economic entities, including 1.1 million sole proprietors and 0.015 million non-bank financial institutions; 0.006 million - public sector entities. In 2015, the number of bank customers decreased by 5 mln (figure 1). This is because then national bank closed the accounts of customers who had minimal deposits smaller than the established threshold (10 grivnas), which is based on internal bank rules. Also the cause of decrease the number of customers is the deterioration in the economy.

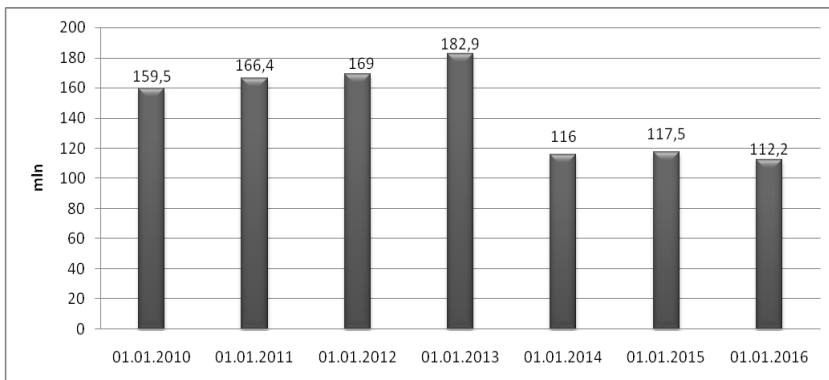


**Figure 1. Number of corporate and individual customers who have opened current and savings (deposits) accounts with banks**

Source: Financial markets, 2017

The total number of bank accounts opened by customers in 2016 stood at 112.2 million, including: current accounts - 95.6 million (85.2% of the total number of accounts opened with banks); savings accounts - 16.6 million (14.8% of the total number of accounts opened with banks).

In 2015, the total number of accounts opened by customers was 117.5 million (figure 2). The proportion of accounts by individuals is 96.5% from all accounts opened by clients (95.6 mln of accounts and 16.3 mln of deposits) (Golubnycha, 2005).



**Figure 2. Number of accounts held by bank customers**

Source: Financial markets, 2017

Aggregated numbers by 01.01.2017 are not available. However, due to deterioration in the economic condition of the country, we can state that the overall number of clients and the accounts they opened during 2016 also show a negative tendency.

The conducted research of scientific literature led to define that system of commercial banks' business partnership should be considered as totality of business relations and partnership cooperation, which being formed on business ethics, trust and horizontal connections that arise between partners with purpose of receiving mutual economic benefit and lowering risks and expenses at account of synergy effect occurrence (Gots, 2010).

In order to provide stable activity of commercial banks it is reasonable to activate procedure of information resource usage in the system of business partnership. That's why creating of information accounting flows organization in the system of business partnership at bank establishments is essential.

Main target of business partnership is obtaining economic benefit from cooperation. According to this, business partners of banks are divided into partners of two levels in scientific literature (Pylypiv, 2013):

- business partners of I level are entities with which bank enters into cooperation result of which new product or service is received (other banks, insurance companies, real estate agencies and others);
- business partners of II level are persons with whom banks enters into cooperation by making agreements for proving bank services (that are clients).

On one side, a bank enters into financial relations with partners for obtaining economic benefit by creating new bank products and services. With this purpose in mind, the bank establishes contacts with potential partners, collects information as for their identification, and evaluates of their reliability, presence at market, level of qualification and decency. Registered, collected and processed information serves as ground for taking decisions on choosing business partners of I and II levels (Pylypiv, 2013).

Meanwhile, business partners of I and II levels, for selecting appropriate bank, collect and evaluate information about: ratings of banks, their financial steadiness, and period of presence at the market, level of qualification and decency of banks' managers. On the other side, a bank enters into relations with business partners of II level with purpose of receiving economic benefit by making appropriate agreements as for sale of bank services. Such business partners are clients of a bank, who in practice of bank activity are divided to residents and not residents and also to private persons, persons of small and average business and persons of corporative business. However, using software in the process of implementing main activity of commercial banks within system of business partnership gives

opportunity to separate partners of III level (figure 3). Thus, using by banks of SAP software assumes giving a role to business partners that participate in business operations, dividing them into internal and external partners. These partnerships of I and II level refer to external level and partners of III level refer to internal business partners.

Thus, the process of realization of bank products to clients is happening with involvement not only of business partners of I and II levels but also business partners of III level, who are employees of a bank. It should be noted that business partners of III level also can be consumers of bank products.

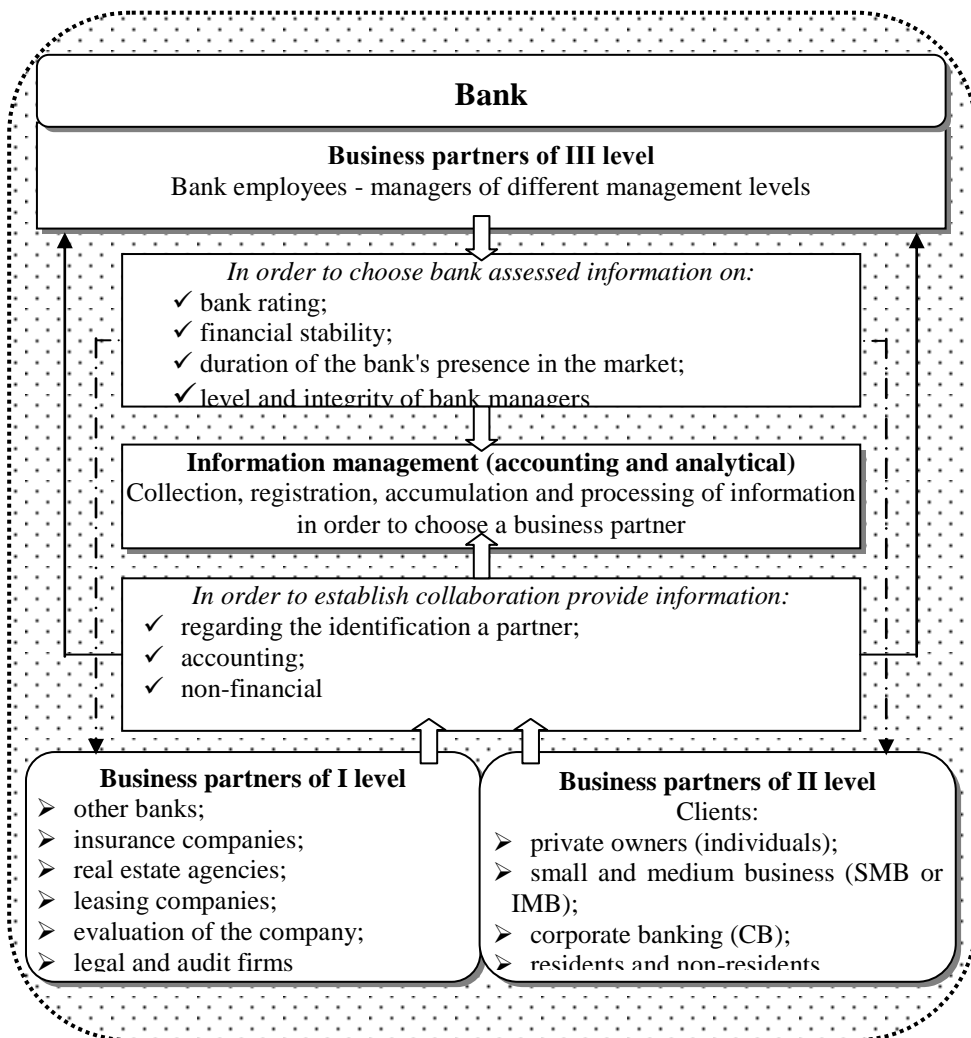


Figure 3. **Information accounting in the system of commercial banks' work partnership**

Source: Grebeshkova, Shymanska, 2010

From the above, it is clear that the system of organization of accounting in the information support of work partnership depends on the bank's ability to create mutually supportive relationships with partners who can learn about the work reputation of the bank and thus form business relationships.

The main direction, thus, is to protect the capital from different clients, whether individuals or an organizations. To achieve this result, it is necessary that there are economic benefits that happen as a result of different transactions, relationships, expense and other forms of exchange based on the effective work of the bank with its partners. The specific transactions and methods, which are used to make it happen, sources of their formation and the documents that support it are all objects used for accounting purposes (Fomichenko, 2008.).

The basis of definitions of the system of accounting, which was offered by a considerable group of scientists (Deriy, 2010; Kindratska, 2002; Levytska, 2009; Nakonechna, 2009 and others) is that we should understand it as a collection of rules, methods, and processes of accounting, measurement, registration, collection, generalization and other means of passing information about work activities to external users and also to internal users for making managerial decisions.

Thus, accounting system includes collection, evaluation, analysis of financial data and reporting about financial activity, the end product of the system of accounting is formation of reporting with the goal of informing potential clients about the quality of work reputation of banks and their functioning on the financial markets which provides timely and full reflection of all transactions of the bank and gives providers information about the condition of deposits and credits, their own capital, and results of financial activity and any changes.

To make correct decisions about activity in the future, banks in the future need to account information about past events, which influence bank activity. This information comes from accounting.

Organization of elements of banks has some specific components. The overall plan includes the object of accounting-monetary accounting, which is reported in banking accounts (Pylypiv, Piatnychuk, Pylypiv, 2015.). We think that other components of the banking system also need to be separated:

- Content and structure of accounts (multiple currencies, presence of managerial accounting, double backing of transactions on accounts).
- Parameters and forms of leading analytic accounting.
- Reflection and documentation of bank operations at the moment of carrying them out.

- Closing of “operational day” and daily forming of balances.
- Specifics of the activity of the banks-the sphere that is based on monetary-credit relations.
- Bias of accounting transactions: accounting of financial accounts and not just traditional transactions.
- High level of automation of accounting processes and electronic accounts.
- Mutual work of electronic system with other banks, including National Bank of Ukraine.

Research of banks’ business partnership system accounting supply that we have conducted gave opportunity to outline constituent modules of information technology of accounting process which should be considered when building system of effective cooperation of the last mentioned with their business partners:

- plan of accounts with help of which systematization of information about cash-credit operations recording as consequence of interaction between bank and business partners;
- documentation - creating documents about business partners’ service at bank and forming their personal case;
- regulative and legislative supply - regulations acts, internal bank rules and statements which regulate order of handling account of computations with business partners;
- organization of accounting service - organization of accounting staff’s work as for recording computations with business partners;
- interaction with other services (departments) - formation of information flows between services and departments of a bank;
- form of book-keeping - journal-warrant;
- automatic information systems (data processing technology) - operative processing of accounting data regarding computations with business partners and forming necessary reports;
- reporting - forming of financial and not financial as well as internal reporting about relations with business partners for satisfaction of information needs of different users.

Modules of information technology of accounting process in bank are shown in figure 4.

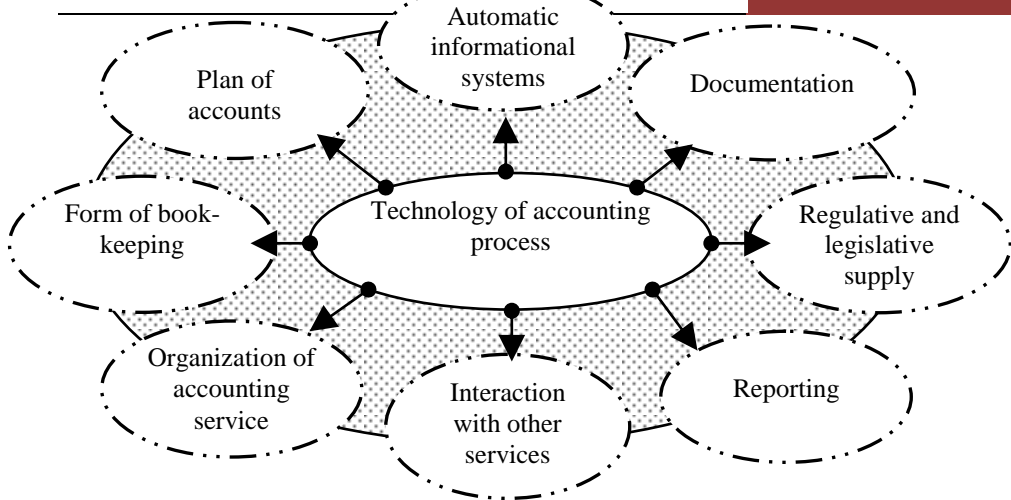


Figure 4. **Modules of information technology of accounting process in a bank**

Source: Author's work

To perform the first function aggregated accounting is used with help of synthetic accounting, which is also referred to as book-keeping accounts. However, it is impossible to reflect all the information only on the level of balance accounts: it would lead to accounts becoming too large, cumbersome and inconvenient to work with.

The detailed daily information about operations that have been performed by a bank is reflected in main form of analytical accounting - individual account. New analytical accounts are opened for each balance or non-balance account. The provision of individual accounts depends on the type of asset, liabilities and private capital that is separated by contractors (Golubnycha, 2005). In the account number only a part of parameters out of whole set is included, other parameters are stored behind account number and can be used during performance of other operations. Therefore, client number (id) is an important parameter - and is registered in software (for instance, SAP) for each individual business partner with a unique code (ordinal number), within which all the information about its participation in business operations with bank is stored. Such number is given to all participants of bank's business relations within business partnership of different levels.

Bank's accounting system serves as source of information for other important management sub-systems, specifically for planning and budgeting system, control and analytical system. As consequence, manager's knowledge about accounts and previous history with the partner (financial, non-financial) highly depends on information that the users entered. Relationship between accounting system and other subsystems of the bank management and reporting is shown in figures 5.



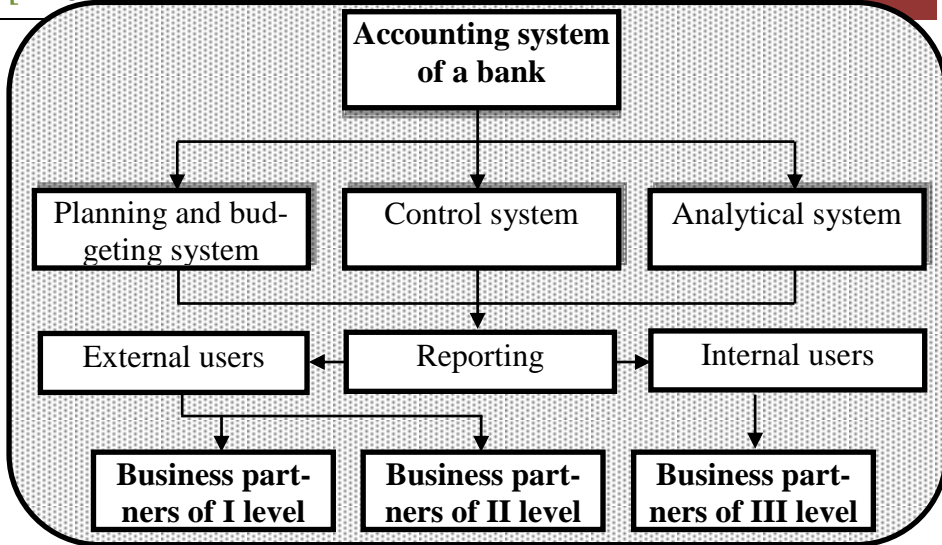


Figure 5. Relationships between accounting system and other sub-systems of the bank's management and reporting

Source: Author's work

## Results

Analysis of banks' operations with regard to client/partner relationships sheds light on the reporting practices by Ukrainian Banks. They tend to generate and submit large quantities of reports to the National Bank of Ukraine and other governmental agencies, which is highly inefficient. Therefore, it is important to optimize this process to increase bank partner's satisfaction and fulfill the external need in information supply. This information should be provided in understandable and convenient user form to provide assistance to potential business partners in making substantiated decisions with regard to establishing business relations with the bank. Therefore, we are suggesting a creation of non-financial reporting of business partnership of a bank.

It is advisable to include the following information in the before mentioned report:

1. General information about bank.
2. Strategic development for the bank.
3. Financial indexes of bank's activity for the specified time range.
  - 3.1. Estimated rating of the bank relative to the universe of banks in the country.
  - 3.2. Main financial indexes of bank's performance.
4. Information about business reputation of a bank.
  - 4.1. History of bank's activity at the market of bank services.
  - 4.2. Index of estimated quality of business reputation: reputation of managers and qualification of the staff; participation of a bank in Fund of guarantee of deposits of physical persons; charity; awards and achievements; social

projects and recommendations; support of ecological initiatives and projects.

The report formed with above mentioned criteria should lead to improvement of information dissemination to external users, and will give them opportunity to estimate the following: financial state of a bank; share of the market of the bank within its system; specific importance of a separate bank at market of bank services and its profitability; opportunities and volumes of receiving economic benefits; business reputation of banks and their position at the market; this information will assist potential business partners in decision making processes regarding establishing new business relations.

It is also important to form reporting for internal users - business partners of III level, which would enable managers to perform more targeted levels of evaluation: efficiency of business contacts; profitability of bank products; financial state of business partners; efficiency of different bank structures and divisions (branches, departments); efficiency of staff with servicing various business partners; expediency of establishing new business contacts; expediency of forming new packets of bank services as consequence of cooperation with business partners.

### **Conclusions**

Therefore, the conducted scientific research regarding organization of the information accounting supply of business partnership system at bank establishments allowed us to determine that the accounting system serves as the basis in producing required analysis and generating partnership strategies for the bank.

The improvements in the banks' information function, reporting about bank's activity, with optimized analytical organization and strategic use of accounting will promote effective search and selection of perspective business partner at the market, as well as promote selection of most effective variant for cooperation. This study is limited in the data and analytics, however, we believe it serves as a pioneer in the field of informatics for Ukrainian banks and therefore will be useful in future research.

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