

DEPRECIATION DEDUCTION MECHANISM BEING IN USE IN THE FISHING INDUSTRY AND INTENDED FOR SUSTAINABLE DEVELOPMENT OF THE REGION

Marina E. Vasilenko
Kalashnikov Izhevsk State Technical University, Russian
E-mail: marinaavas22@gmail.com

Submission: 3/1/2022
Revision: 4/8/2022
Accept: 4/23/2022

ABSTRACT

In recent years, there has been a stabilization of the country's economy, which in the future is a major prerequisite for increasing demand for measures to limit the catch and import of raw fish abroad. They should lead to a reorientation of enterprises towards deep processing of raw fish, which will require the inflow of significant investment resources into the industry. In fact, the problem of fixed assets depreciation accounting is not new; there are several methods of their regulation in the modern world, but it is not enough when solving different managerial tasks. The relevance of the problem is due to the discrepancy between tax and accounting, between international financial reporting and Russian standards, as well as between the need to obtain an adequate and accurate assessment of the safety, and usefulness of fixed assets in the production process. As a result, the purpose of this study is to investigate modern methods of accounting depreciation of fixed assets and to identify ways to eliminate overdue areas of this problem. At the correct picked up system harmoniously working at the enterprise, and timely replacement of obsolete non-current assets, the enterprise can achieve the best productivity results and increase its liquidity.

Keywords: *Depreciation method; depreciation; diminishing balance method; fixed assets; linear method.*

1. INTRODUCTION

The questions of formation of investment sources and development of the mechanism intended for attraction and use of the fish industry in their development become especially important (Wang et al., 2021). There are not enough resources in the banking system for long-term investment at present, and the instruments are needed for at least one year in order to update the production base of fishery enterprises and the implementation of investment

projects (Antonov, 2020; Zamaraev & Marshova, 2020; Baranov et al., 2020; Birjukov et al., 2019; Benetti et al., 2018; Nurullin et al., 2018; Manukhina, 2018).

Successful implementation of achievements in science and technology depends to a large extent on the directions and methods of depreciation policy; they have a direct impact on the formation of the reproduction process economic conditions. On the contrary, non-compliance of the depreciation deduction policy with real processes occurring in the economy leads to deformations in the turnover of fixed capital, slowing the commissioning of new and withdrawal of obsolete equipment. The main condition for stable implementation of depreciation policy is the presence of a mechanism developed for these conditions of depreciation (Kosnikov et al., 2017; Tatuev et al., 2017; Mayevsky, 2015; yevsky & Malkov, 2014; Shashlo et al., 2018).

2. 2. METHODOLOGY

The depreciation mechanism should solve the following tasks:

- Installments in inclusion of capital costs in the cost of production;
- Recovery of fixed capital;
- Use of accumulated funds for the purposes of production recovery and renovation, assuming the creation of a branch depreciation fund in the capacity of a supervisory body.

The absence of this mechanism and the relatively lukewarm attitude to it should not mislead us: the same happened in other countries with market economies; in the United States, until 1981, a significant portion of enterprise funds mobilized through the creation of a depreciation fund.

In Russia in the pre-Perestroika period it was depreciation funds that were the main internal resource for investment activity. In modern conditions, Russia was deprived of investment funds which in their turn determine the necessity of reconsideration and determination of depreciation deductions size taken for taxation by every concrete enterprise, taking into account the peculiarities of its activity.

The depreciation fund appears at a certain stage, when the socio-economic system reaches a certain development level.

One of the main reasons to create a pooled depreciation fund is the inconsistency between the depreciation mechanism in the real economic situation, when the enterprises are forced to make expenditures related to production activities based on the price, which is set for the products, and the rest of the costs used as savings to recover production.

3. 3. RESULTS AND DISCUSSION

The need to create sectoral pooled depreciation fund for fishery enterprises is characterized by the fact that depreciation funds are used independently. In Russian economy during its transition to market economy, control over depreciation funds usage was canceled, although exactly depreciation funds are the main source for investment activity and production recovery and reconstruction.

A very important reason for this transition was the problem of property denationalization and its influence on the state of fixed capital. Note that during the years of market reforms in the fishing industry of Primorsky Territory, about 90% of enterprises belong to owners.

In modern Russian conditions, private owners and non-state organizations that did not earn their own money, but received property from the state, do not always become effective owners of their enterprises, as evidenced by statistics: more than half of the fishing industry enterprises in Primorsky Territory are unprofitable for this reason. Enterprises use the following model of depreciation mechanism, when depreciation is accrued at developed norms, and the use of depreciation amounts is not controlled.

Over the past two years in the fishing industry of Primorsky Territory, only 25% of depreciation amounts are actually used for the purposes of production restoration. The remaining accumulated depreciation funds are used for non-productive purposes.

Only the creation of depreciation deduction mechanism, which would allow to carry out internal accumulation and use them to restore the economy will allow to get out of such a difficult situation, the fishing industry in particular.

Enterprises can also use borrowed funds for their activities, which can be divided into two groups on a functional basis:

- Borrowed funds (credit resources), for the use of which the company must pay annual interest, i.e. credit rate;

- Investments (statutory and other capital), for the use of which the company pays dividends to the investor from the profits, if any.

If credit resources are used, the enterprise assumes risks to its creditors. If a project will be thwarted for any reason, the company pays its bank the full amount of debt plus interest. If there is no such a possibility, the enterprise runs the risk of losing its property, which will be passed to its creditors in the form of a pledge. In the second variant (investments), the risk of capital loss, as a result of investment project failure, is assumed, along with the company, by its investors.

It should be noted that at present banks give loans only if they are well collateralized (the ideal collateral for the lender are liquid securities, but if the loan is offered against the working capital of the enterprise, then the collateral will be considered only 30% of their value). That is, the conditions of the lenders are very strict, and loans are granted for an amount not exceeding the monthly turnover of the company. If it is necessary to attract significant funds exceeding the performance indicators of the enterprise (in particular, the monthly turnover of the company), then it is quite difficult to get credit funds even for a very good project with high profitability and excellent elaboration level.

In our opinion, enterprises should rely mainly on their own sources at their disposal. The main principle of creating pooled depreciation fund is depreciation management, i.e. accumulation of funds for future capital investments.

Accrual of depreciation should become not normative, but elastic; the enterprises of fish industry accrue depreciation to the extent of their capabilities based on the pricing strategy. Accrual of depreciation is not reduced to purely accounting operations, but represents the accumulation of money in special monetary, depreciation fund.

The basis for depreciation accrual should not be the cost of production facilities, but the capital costs incurred, hence the depreciation fund in fact will be the fund of future capital costs. Association of fish industry workers or Committee of fishery at Primorsky Territory Administration can become an initiator for the creation of a pooled sectoral depreciation fund of fish industry, which is a non-banking credit organization serving depreciation funds of its participants (clients-fund-holders).

Pooled depreciation fund is registered in the registration authorities of non-banking credit organizations and is subject to the laws and regulations governing the activities of such

organizations. The minimum number of participants may be ten. The clients-holders of the pooled depreciation fund are sectoral enterprises that place their depreciation funds in them on a voluntary basis.

Fishing industry enterprises wishing to join the pooled depreciation fund open their pooled depreciation fund bank account and transfer their depreciation funds to this bank account. The basis for the crediting of funds is a payment order, which serves as a certificate to the tax authorities for the exclusion of depreciation costs from the tax base.

Depreciation accruals are accumulated in the pooled depreciation fund accounts in a bank; in this case, the manager of these funds is the company. Any operations connected with the purchase of equipment for the transfer of funds from this account must have only two signatures: the signature of the pooled depreciation fund management and the signature of the head of the company, who is the owner of the depreciation funds. Thus, the possibility of using these funds not for their intended purpose is excluded.

Enterprises of the fishing industry, which created and joined the pooled depreciation fund, must be a member of the board of directors of the pooled depreciation fund, thus exercising control over the activities of the pooled depreciation fund.

Enterprises, that joined a pooled depreciation fund independently, develop and present their own financial plan of accumulation of depreciation funds, the formation of which depends on the amount of depreciation deductions.

The plan of accumulating depreciation funds must contain the following information:

- The average annual cost of fixed assets, which are at the disposal of the enterprise;
- Production plan;
- Revaluation of fixed assets;
- Methods of accrual of depreciation charges;
- Activities on acceleration of scientific and technical progress.

The specifics of developing an accumulation plan for fishing industry enterprises is that the calculations should be based on the data on the condition and volume of raw material base, without which any fishery project loses its meaning. When developing the plan, the accounting policy approved at the enterprises should play an important role, which forms the

accounting activities and their transparency. The plan of using the accumulated depreciation sums should include the justification of depreciation deductions:

- For the purchase of new equipment instead of retired equipment;
- For the automation and renovation of production processes;
- For carrying out research and development work;
- Modernization and renewal of products to ensure their competitiveness;
- Reconstruction, technical re-equipment and production extension;
- New construction.

The plans developed and submitted may contain information on the need to attract credit funds.

The data received by the pooled depreciation fund are processed by experts, who provide qualified assistance to the enterprises participated in the fund. The experts determine the amount of available funds and their idle time. Based on the applications received, the credit department prepares a credit plan for the pooled depreciation fund members, which is approved by the board of directors of the pooled depreciation fund, hence the enterprises decide on the credit extension and the interest rate. In this situation, the pooled depreciation fund becomes the largest and most reliable client for the bank. Thus the problem of possibility to attract long-term bank loans through pooled depreciation fund can be solved. The created depreciation fund can become a highly liquid means of the pledge.

An important condition to prevent unfair competition for fish enterprises should be the establishment of unified norms of depreciation deductions. Through the coordination of their activities, enterprises should determine the norm of depreciation, which will not be released nod by the fund's management, but at the initiative of market participants, taking into account the specifics; competitiveness of products, production conditions, etc. Thus, sectoral norms of depreciation can be formed in the fishing industry.

The depreciation fund is used only by means of non-cash transfers from the depreciation fund account.

In case of overhaul, reconstruction, or creation of fixed assets by the company itself, funds from the depreciation fund account are transferred to the company's current account on

the basis of supporting documents on the work performed and costs incurred for the above purposes.

Depreciation fund with a corresponding increase in fixed capital is used to cover costs that increase the value of tangible and intangible assets of an enterprise, irregular or regular with a frequency that significantly exceeds the normal production cycle. In particular, the depreciation fund can cover the following costs:

- Acquisition, reconstruction and overhaul of fixed production assets;
- Construction of buildings and structures;
- Acquisition of intangible assets, such as software products, patents, licenses, copyrights and exclusive rights, etc;
- They can be concentrated within the sectoral unified depreciation fund. Enterprises also can perform one-time advertising campaigns;
- Payments on investment credits and loans credited to the depreciation fund.

In our opinion, the state committee on fishery of the Russian Federation should influence by depreciation amounts applied by the enterprises themselves, not according to their functional purpose, and also by various economic measures. The depreciation amounts used not for the purpose on updating the basic capital should be exposed to taxation, similar to profit taxation. Such enterprises should be denied preferential loans and credits.

The amount of depreciation accrued during the first half of the useful life is not sufficient to finance an investment project. Therefore temporarily free depreciation deductions of fish industry can be concentrated to form financial resources absolutely voluntarily by enterprises for the solution of their large investment projects in the foreseeable period.

The pooled depreciation fund should be based on the principle of "transparency". The fund must provide each participant with full information, show the mechanism of investment income formation, and coordinate changes in the policy of the fund, affecting the interests of participants. The fund should guarantee equal rights of all members, uniform principles of income accrual, confidentiality of information on its status, and safety of all records of each participant. The participants should have the right to delegate their representatives to

participate in the audit commission and the supervisory board, to get acquainted with the results of annual audits.

4. CONCLUSION

Positive results of the mechanism suggested by us can be reflected in the following actual results achieved. Firstly, they could be demonstrated in liquidation of ways for embezzling funds and tax evasion (Shashlo et al., 2018; Levkina & Titova, 2019). Secondly, they could be presented through creation and internal accumulation of funds for restoration, updating and expansion of production capacities.

Thirdly, they could be demonstrated in free accrual of depreciation and flexible management of prices for fish products that will allow Russian goods to be more competitive in both domestic and foreign markets. Fourthly, they could be presented in creation of a system providing effective control over the use of investment funds. All this will make it possible to attract significantly more foreign investors to the fishing industry.

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