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The Technique of Conducting and Accounting for Export Currency Receipts of Ukrainian IT Companies in Electronic Money

The Ukrainian information technology (IT) industry has demonstrated rapid development over the last decade. Domestic companies are developing software and providing IT services to foreign clients, thereby expanding into international markets. The export revenue of IT companies experiences annual growth of 25-30%, accounting for approximately 3,5% of the country's GDP. In 2022, it reached a record value of 7,34 billion dollars [1].

The range of digital products and services exported by Ukrainian companies is quite extensive. Software products developed by startup and scaleup companies are targeted at end-users. Service companies, such as outsource, outstaff companies, and R&D centers, operate in foreign markets with specific foreign clients. Consulting companies provide various IT services, including hardware and software administration, cloud environment provision and utilization, virtual assets, graphic content and copywriting, internet marketing, and more. To successfully compete in the global market, Ukrainian IT exporters must not only ensure the quality and pricing attractiveness of their products but also provide potential buyers with convenient business terms. It is necessary to adhere to modern forms of document flow and settlements, using the latest digital technologies.

In our time, it is generally accepted that payments are made through electronic transfers of funds to the recipient's bank account. An innovative form of settlement operations is the use of virtual electronic money, which arose as a synthesis of finance and information technology. Examples of popular digital payment systems based on private issuance of electronic money include: PayPal, Apple Pay, Android Pay, Google Pay, Facebook Pay (USA), Skrill, Payeer (EU), WeChat, Alipay (China), M-Pesa (Kenya) [2].

Initially, e-money was used for quick micro-payments through the Internet. However, by 2022, many countries around the world have announced the introduction of national digital currencies, which effectively means the gradual replacement of fiat money with electronic money. The US plans to issue a digital dollar, the EU - a digital euro, while China has been testing the electronic yuan since 2020 [3]. The National Bank of Ukraine has been working on the «e-hryvnia» project since 2021. Electronic money has emerged as a novel third form of money, in addition to the conventional cash and non-cash fiat money. The advantage and key difference of e-money is the ability to track and store digital records for each unit issued, which enhances the manageability of payment systems.

Ukrainian businesses using e-money in settlements face a number of problematic issues related to the still-unfinished formation of electronic money as a

novel dematerialized unit of value. The place in the global payment system and the rules for using e-money are not yet finally defined and legally formalized. However, Ukrainian IT companies focused on exports are already providing their customers with all modern payment options, including e-money. Such companies have an information request to clarify the procedure for conducting and accounting for payment transactions carried out in electronic money.

The ongoing update of Ukrainian currency legislation promotes the modernization of payment instruments used in the country. The Law «On Amendments to the Tax Code of Ukraine and other Legislative Acts of Ukraine Regarding Payment Services» dated 12.01.2023 № 2888-IX has legalized the use of e-money in business-to-business payments, equating the status of electronic wallets to bank accounts. The Law will come into force on 01.04.2023, and Ukrainian companies are required to adjust their payment and accounting policies accordingly.

The interaction of the domestic IT business with non-residents falls under the scope of Ukrainian currency, tax, and accounting legislation. The possibility to choose a simplified taxation system (unified tax) and a preferential VAT exemption regime have had a positive impact on the development of IT companies. Additionally, the progressive modernization of legislation included the adoption of the Law of Ukraine «On Amendments to Certain Laws of Ukraine on Eliminating Administrative Barriers for Exporting Services» dated 03.11.2016 № 1724-VIII, which allowed for the conclusion of contracts with foreign partners and other documents in electronic form.

The National Bank of Ukraine exercises currency control over payment terms through commercial banks. The export revenue from the sale of IT products or services must be credited to the resident's currency accounts (e-wallets) within the terms specified in the contract, but no later than 180 calendar days from the date of delivery. In the case of standard payment by bank transfer, the export revenue is initially credited to the distributing account of the authorized bank, checked by the bank for economic legality, and then transferred to the recipient's bank account. However, in the case of using digital wallets and electronic money in settlements with non-residents, state currency control is currently practically absent.

The procedure for conducting payment transactions with electronic money is regulated by the Law of Ukraine «On payment services» dated June 30, 2021, № 1591-IX and the Regulation of the National Bank «On the issuance of electronic money and payment transactions with them» [5]. Businesses have the right to accept payments with electronic money issued by entities registered in the Ukrainian Register of Payment Infrastructure.

IT companies are obliged to keep financial records of export operations and settlements for them, in compliance with the accounting legislation of Ukraine, including the National Accounting Standards (NAS). The accounts receivable from foreign buyers are recorded in accounts 362 «Settlements with Foreign Buyers» and 681 «Settlements for Advances Received» in two currencies: the payment currency (foreign currency) and the reporting currency (hryvnia), using the official exchange rate of the National Bank of Ukraine. If business is conducted on the basis of deferred payment, the balance of account 362 is revalued on the date of repayment of the debt

and the balance sheet date, and exchange differences are determined as part of operating income or expenses. Export revenue is accrued on synthetic account 70 «Revenue from sales» in the analytics of sub-accounts, and the cost of IT products and services is accounted for similarly on account 90 «Cost of sales».

In the current version of the Chart of Accounts for enterprises and organizations, a sub-account 335 «Electronic money denominated in national currency» is included as part of the synthetic account «Other funds». IT companies receive export revenue in foreign currency. There is no sub-account provided for accounting purposes for cases where the foreign currency payment is transferred via electronic money.

In the Law «On Currency and Foreign Exchange Transactions» [4], it is stipulated that electronic money issued by non-residents is considered foreign currency, and therefore, the requirements of NAS 21 «Impact of Exchange Rate Changes» apply to them. In accounting for transactions in foreign currency, monetary items are formed, which must be revalued on the balance sheet date and the payment date, calculating exchange differences. This means that the account for accounting electronic money denominated in foreign currency should correspond to accounts 714 and 945, reflecting the accrual of positive and negative exchange rate differences.

Ukrainian IT exporters are advised to adopt the Order on Accounting Policy and use sub-account 336 «Electronic Money Denominated in Foreign Currency» to account for foreign currency revenue received in digital wallets in electronic money from non-residents. The proposed account is a monetary item and should be revalued with the determination of exchange rate differences using the methodology of NAS 21 «Impact of Exchange Rate Changes».

Further digitization of the global and Ukrainian economy will require updates to the accounting legislation. Therefore, it is logical to expect regulatory clarifications to the existing national accounting provisions regarding the accounting of settlement currency transactions in electronic money.

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