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CLASSIFICATION OF FINANCIAL INDEPENDENCE FOR ACCOUNTING PURPOSES.

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Scientifically based classification is the most important prerequisite for the organization of accounting is. Therefore, the author considers that it is necessary to determine approaches to the classification of financial independence.

From the economic point of view, financial independence is the information about the financial condition of the organization with the help of dynamic analytic coefficients, such as:

- Coefficient of financial risk;
- Coefficient of capitalization;
- Coefficient of autonomy;
- Current assets to equity ratio, etc.

The main source of the information for the calculation of the above mentioned coefficients is the balance sheet, where all accounts are classified according to their sections.

From the accounting point of view, financial independence of organization is a certain state of accounts that guarantees its permanent solvency. However, it should be mentioned that financial independence consists of three components:

- Provision of financial resources;
- Solvency in relation to the contractors;
- Efficiency of allocation of funds;

In this research the author will consider the investment of funds to provide passive income.

Therefore, taking into account national features, economic opportunities of organization and using the principle of diversification we can offer the following classification of financial independence for accounting purposes:

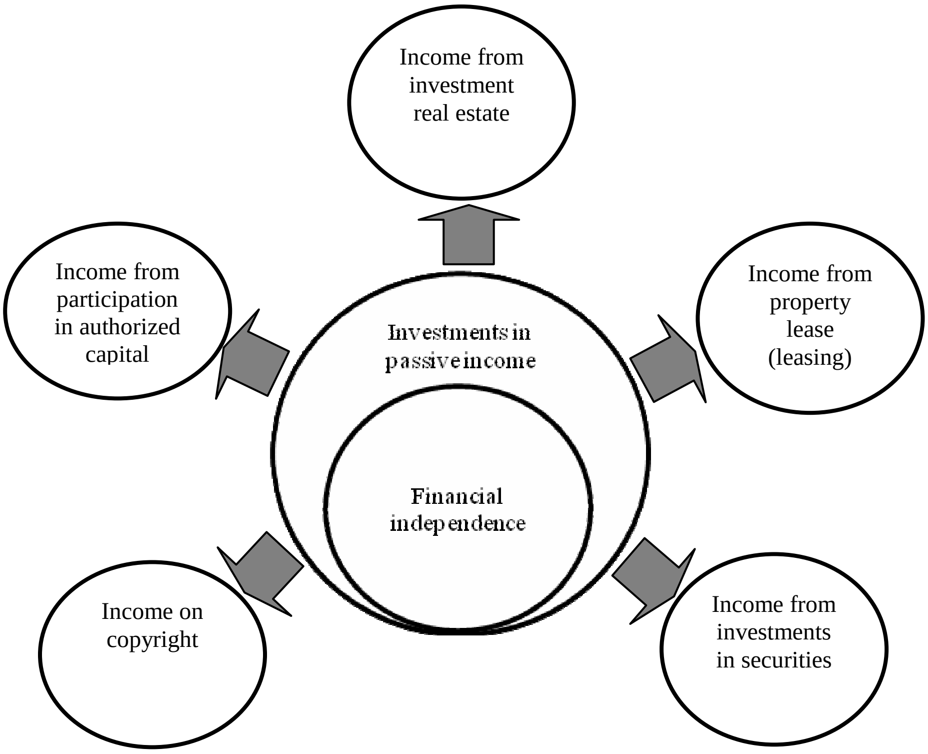

Fig. 1. Classification of financial independence for accounting purposes in terms of passive income

Let's briefly discuss each of the classification items.

In accounting practice, there are notions such as investment real estate, investment property, real estate.

Therefore, it's very important to disclose the essence of these notions in order to determine their place in the overall system of financial independence of organization.

Table 1 shows the comparative characteristics of these notions.

Table 1 – Comparative characteristics of notions: investment real estate, investment property, real estate

Classifi-cation approach to financial indepen-dence	IFRS (IAS) 40	Instruction on accounting of the Republic of Belarus № 25	Civil Code of the Republic of Belarus №218-3	Mortgage Act of the Republic of Moldova № 142 Art. 3	Accountan-cy Decree (standard) of Ukraine №32	Mortgage Act of Ukraine №38 Art. 313	Immovab le Property Mortgage Act of the Republic of Kazaksta n № 2723 Art. 1
Invest-ment property	The real estate, that is in possessi-on for obtaining lease payments or increa-sing cost of capital						
Invest-ment real estate		Real estate, owned by the organization which is rented		Immovable property, determined in accordance with the Civil Code, and future real estate, registered under law in the Immovable property Register	Land plots (own or rented), buildings, held in order to obtain the lease payments and/ or to increase equity		
Real estate			Different objects (land plots, subsoil, etc.), which displacement is impossible without disproportion ate damage to them			Land plots which displacem ent is impossi-ble without their deprecia-tion and changing their destinati-on	Different objects (land plots, subsoil, etc.), which displacem ent is impossi-ble without dispropor tionate damage to them

Source: author's working-out based on the normative – legal acts.

In Belarusian practice, according to the decree of the Ministry of Finance of the Republic of Belarus of 30th April, 2012 № 25 the investment real estate includes:

- Land plots;
- Buildings;
- Structures;
- Isolated premises;
- Parking spaces [1].

The requirements for recognition of the objects as investment real estate are:

1. Immovable property must be rented;
2. The organization supposes to receive economic benefits connected with immovable property;
3. The price of immovable property can be proved.

Studying IFRS is quite important. IFRS (IAS) 40 uses the notion "investment property", which is divided into real estate, buildings and land plots [2]. It should be mentioned that this standard contains the same requirements for recognition as in the Belarusian legislation.

According to this analysis, we can conclude that the investment property and investment real estate are identical notions, while immovable property (real estate) is different objects (land plots, subsoil, etc.), which displacement is impossible without disproportionate damage. Therefore, it is more expedient to include the item "investment real estate" in the composition of the financial independence.

Investments in real estate are the most reliable and secure ways to invest free funds, especially during economic instability. With the help of investments in real estate organization can get passive income, increasing its capital.

Particular attention should be paid to the items "income from participation in authorized capital", "income on copyright" and "income from property lease (leasing)" as tools for the organization to get passive income.

There are different interpretations of the notion of "authorized capital". Authorized capital (fund) is a fixed in monetary terms amount of tangible and intangible assets that are transferred to the organization for constant using by the owners of these values [3].

Authorized capital can also be considered as the amount of money originally invested by owners for providing statutory activity of the organization. The size and structure of the authorized capital is determined by a number of requirements, which are necessary to consider for the creation and organization of a company.

Authorized capital is formed and approved together with company rules when it is formed and reformed. Organizations are free to decide the questions of structure and size of the authorized capital and its changes.

The capital increase is mainly due to:

- Profit of the organization , which is used for investments in capital assets and for the increase of current assets of the organization;
- Issuance of shares;
- Subsidies, which come from the government or from the parent company (banks, firms) if the organization is subsidiary ;
- Attaching of additional contributions and shares from new legal personalities and individuals.

For additional characteristic of the financial independence of the organization the author will consider the item "income from investments in securities".

According to Securities and Stock Exchanges Act of the Republic of Belarus securities are documents, which certify property rights or loan relationships of the owner of securities vis-a-vis the emitter [4].

According to the Civil Code of the Republic of Belarus security is a document which certifies property rights with the prescribed form and (or) mandatory requisites, which realizing or transferring is impossible without presenting it [5].

From legal point of view security can be considered as the title of property rights, and as a chattel. From economic point of view security is the representative of capital.

In up-to-date global practice securities are divided into 2 groups:

1. Underlying securities;
2. Derivative securities (derivatives).

The underlying securities are securities that are based on property rights for some asset, usually for commodity, money, capital, property, various resources, etc.

According to the Civil Code of the Republic of Belarus underlying securities include share, government bond, bond, bill, deposit and savings certificates, bills of lading, privatization securities, etc.

Derivative security or derivative is a paperless form of expression of property rights (obligations), arising from the price change of stock assets. Derivative securities include futures contracts (commodity, currency, interest rate, index, etc.), freely tradable options and swaps. In order to get passive income organizations are interested in investing in both underlying securities and derivatives [6, p. 118 – 119].

However, organizations must remember that investments in securities can bring not only income, but also risk. In the market this risk shows itself in the price loss on shares or in the change of the amount of commission for its implementation. If it's impossible to realize the issue of securities in the primary market, then there is a risk of uselessness of securities.

The research of the theory and practice of formation of financial independence has allowed us to develop a classification model, the essence of which lies in the growth of passive (residual) income and as a result of the financial independence of the organization.

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MULTINATIONAL COMPANIES AS THE MAIN SUBJECTS IN FOREIGN DIRECT INVESTMENT

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The article describes the subjects of foreign direct investment, their types, and also the problems faced by multinational companies.

Foreign direct investments are long-term investments of foreign capital in various sectors of the economy, assuming the full control over the investor's investment target [1].

The obtaining of foreign capital in the form of foreign direct investment is realized due to the construction, acquisition or creation of subsidiary companies of foreign branches. Large share of FDI takes the form of private export financing, equipment, etc. At present the main subject of foreign direct investments are multinational companies (MNCs) [2].

There are two types of international corporations – multinational companies (MNCs), where the parent company belongs to one country, and multinational companies (MNCs), where the parent company is owned by two or more countries.

Multinational companies play an important role in the global economy. Outgoing from the report of UNCTAD's World Investment, the criterion of a multinational company was already met by thirty-nine thousand companies in the mid-nineties, and the amount of foreign affiliates comprised more than two hundred and seventy thousand. FDI volume, gained worldwide, reached more than three trillion dollars, and the cost of goods of the foreign affiliates of multinational companies – more than six percent of the world GDP. Additionally, about a third of the world trade accounted for Intra supply of the multinational companies.

At the moment, there is no general theoretical interpretation of the phenomenon of a transnational corporation. Large companies tend to export capital abroad, thereby creating subsidiaries; this can be explained by several reasons. The main feature of the direct investment is that an investor will receive the income not only from the invested capital, but also will get additional benefits resulting from the fact of enterprise management. For example, an investor can get a direct access to new markets that were previously inaccessible to him. In this case, foreign investment becomes an instrument of competition. In addition, investing in a money-losing venture or a weak one, a direct investor can increase the profitability and value of the company through innovation, management experience or other means. Market volatility is also forcing multinational companies to diversify their assets to minimize risks [3].

One of the main challenges posed by transnational companies is the transfer prices. Since multinational companies place different phases of a single process in different countries, active goods exchange is held