DOI: 10.31617/1.2025(160)06
UDC 657.1-047.27:336.11=111

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ACCOUNTING IDENTIFICATION AND VALUATION OF FINANCIAL INSTRUMENTS

In the globalization context of financial markets and the growing impact of economic instability, the development of effective models of accounting identification and valuation of financial instruments is extremely relevant. This provides business entities with stability and transparency in financial reporting, contributing to increase investor confidence. The research aim is to determine the specifics of accounting identification and valuation of financial instruments in modern conditions of globalization and high instability, as well as to substantiate ways of their improvement, taking into account changes in international and national standards, in the context of ensuring transparency and effective management of financial risks. The hypothesis of the research is that modern changes in the standards of accounting and valuation of financial instruments affect the level of transparency of financial reporting and the effectiveness of financial risk management, while adapting the accounting of financial instruments to international requirements will contribute to their more objective reflection in the financial reporting of enterprises. The methods of systematic and comparative analysis, classification, logical generalization have been applied. The paper highlights the theoretical principles of accounting identification and valuation of financial instrument; in particular, the essence of various business models for managing them has been considered. An analysis of existing approaches to the valuation of financial instruments is carried out, including initial and subsequent valuation, in particular methods of fair value, and problems arising in the valuation process in conditions of instability have been considered. Prospects for improving the accounting of financial instruments in Ukraine were identified, including

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ОБЛІКОВА ІДЕНТИФІКАЦІЯ ТА ОЦІНКА ФІНАНСОВИХ ІНСТРУМЕНТІВ

В умовах глобалізації фінансових ринків і зростання впливу економічної нестабільності розроблення ефективних моделей облікової ідентифікації та оцінки фінансових інструментів є надзвичайно актуальним. Це забезпечує суб'єктам господарювання стабільність і прозорість у фінансовій звітності, сприяючи підвищенню довіри інвесторів. Метою статті є визначення специфіки облікової ідентифікації та оцінки фінансових інструментів у сучасних умовах глобалізації та високої нестабільності, а також обґрунтування шляхів їх удосконалення з урахуванням змін у міжнародних і національних стандартах для забезпечення прозорості та ефективного управління фінансовими ризиками. Дослідження ґрунтується на гіпотезі, що сучасні зміни у стандартах обліку та оцінки фінансових інструментів впливають на рівень прозорості фінансової звітності та ефективність управління фінансовими ризиками, водночас адаптація обліку фінансових інструментів до міжнародних вимог сприятиме їх об'єктивнішому відображенню у фінансовій звітності підприємств. Застосовано методи системного та порівняльного аналізу, класифікації, логічного узагальнення. Висвітлено теоретичні засади облікової ідентифікації та оцінки фінансових інструментів, зокрема сутність різних бізнес-моделей та управління ними. Проведено аналіз наявних підходів щодо оцінки фінансових інструментів, включаючи первісну та подальшу оцінку, зокрема методи визначення справедливої вартості, та розглянуто проблеми, що виникають у процесі оцінки в умовах нестабільності. Обґрунтовано перспективи вдосконалення обліку фінансових інструментів в Україні, включаючи їх адаптацію до міжнародних

their adaptation to international standards, automation of accounting processes and development of recommendations for managing financial risks according to modern challenges.

Keywords: financial instruments, accountting, valuation, business model, volatility, risks, subsequent valuation, fair value.

стандартів, автоматизацію процесів обліку та формування рекомендацій щодо управління фінансовими ризиками в умовах сучасних викликів.

Ключові слова: фінансові інструменти, облік, оцінка, бізнес-модель, нестабільність, ризики, подальша оцінка, справедлива вартість.

JEL Classification: D80, E60, G28.

Introduction

Ensuring the stability and sustainable development of business entities, primarily the sustainability of their financial results, requires increased attention to the issue of holding financial instruments and various business models of management in modern conditions of globalization and uncertainty. The approach to their accounting, valuation and disclosure in financial reporting also depends on the choice of the financial instrument management model. The purpose of holding specific financial instruments affects the way they are reflected in the reporting and the directions of use of these instruments by the business entity.

The range of issues regarding the identification and valuation of financial instruments is in the field of view of a number of domestic authors. In particular, Nagorna thoroughly examines the features of IFRS 9 "Financial Instruments" (Nagorna, 2022). Pylypenko and Demska consider the specifics of the impact of accounting policies on financial assets of business entities on the financial performance of their functioning (Pylypenko & Demska, 2020). Rapa studies the essence of financial instruments and existing approaches to their valuation (Rapa, 2023). Burdenko highlights the scientific basis for interpreting the essence of financial instruments and focuses on approaches to their classification according to relevant characteristics (Burdenko, 2006). Logvinov draws attention to the role of financial instruments in the development of cross-border cooperation relations (Logvinov, 2024). Nazarova and Zadniprovsky investigate the audit of the assessment of financial instruments (Nazarova & Zadniprovsky, 2018).

Shepelyuk and Yunatsky consider discounting as a financial tool for valuing accounting objects, detailing the difficulties of its implementation in the context of using international standards (Shepelyuk & Yunatsky, 2019). Yatsun and Vdovenko characterize the specifics of the use of financial instruments to achieve sustainable development goals (Yatsun & Vdovenko, 2024).

Snigurska defines the means of valuing assets in the context of forming reserves for impairment compensation, based on the main provisions of IFRS 9 (Snigurska, 2017). Popko and Lukova identify methodological approaches to improving the assessment of such a financial instrument of business entities as long-term debt (Popko & Lukova, 2023).

At the same time, given the changes that have occurred in the field of accounting and valuation of financial instruments in Ukraine in recent years, it is important to conduct a comparative analysis of these changes from the point of view of existing models and approaches.

The research aim is to determine the features of accounting identification and valuation of financial instruments in the context of globalization and high economic instability, as well as to substantiate ways to improve them in view of changes in international and national standards, in the context of ensuring transparency and effective management of financial risks.

The research is based on the hypothesis that modern changes in accounting standards and valuation of financial instruments affect the level of transparency of financial reporting and the effectiveness of financial risk management, while adapting the accounting of financial instruments to international requirements will contribute to their more objective reflection in the financial reporting of enterprises.

The methodological basis of the conducted scientific research is the methods of systemic and comparative analysis (when studying changes in accounting standards for financial instruments), classification (in the process of considering and comparing business models for managing financial instruments), logical generalization (for formulating recommendations for improving approaches to assessing and managing financial risks).

The information base of the research was regulatory and legal acts, international financial reporting standards, national accounting regulations (standards), scientific works of experts in the field of financial accounting.

The main part of the article has three interrelated sections. The first section considers the theoretical principles of accounting identification and assessment of financial instruments, in particular, the essence of various business models for managing them is analyzed. The second section is devoted to the analysis of existing approaches to assessing financial instruments, including initial and subsequent assessment, in particular methods for determining fair value, and also examines the problems that arise in the assessment process in conditions of instability. The third section examines the prospects for improving the accounting of financial instruments in Ukraine, including their adaptation to international standards, automation of accounting processes, and the formation of recommendations for managing financial risks in modern challenges.

1. Overview of business models for managing financial instruments

According to International Financial Reporting Standards (IFRS) and National Accounting Regulations (Standards) in Ukraine (NAR(S)), financial instruments are contracts that create a financial asset for one party and a financial liability or equity instrument for the other. According to IAS 32 "Financial Instruments: Presentation", a financial instrument can be either simple or complex, depending on its terms. The most common types of financial instruments are: assets (cash, securities, receivables); liabilities (payables, bonds, loans); equity instruments (shares, equity contributions), etc. (IAS 32, 2012).

The business models for managing financial instruments are considered firstly. According to IFRS 9 "Financial Instruments", business models for managing financial instruments determine how an entity manages its financial assets to generate cash flows (IFRS 9, 2012). Business models

influence the methods of measuring and reporting financial instruments. There are three main business models (Rapa, 2023):

"Hold to collect contractual cash flows" – entities that choose this model hold financial assets to collect regular cash flows (interest or principal). Financial assets held under this model are measured at amortized cost. Under this model, the priority is to receive stable cash flows, as well as the absence of plans to sell financial assets in the short term. "Hold to collect cash flows and sell" focuses on using a more flexible approach, in which the entity has the opportunity to both receive certain cash flows through financial assets and sell them on the market. Due to this, they can respond to the financial market conditions, achieving the optimal ratio between liquidity and stability indicators. The model involves the sale of financial assets in order to obtain additional benefits. Financial assets are valued according to the specified model using the fair value through other comprehensive income (FVOCI) indicator;

"Active trading (other models)" is used by entities that actively sell and purchase financial instruments, receiving profit due to fluctuations in market prices. Financial instruments are valued at fair value through profit or loss (FVPL).

The chosen business model significantly affects the way financial instruments are reflected in the reporting. Entities that use models to obtain cash flows are guided by conservative valuation methods, while active trading and risk hedging involve the use of fair value. This affects their financial transparency, risk level, and flexibility.

Table 1 provides a comparative description of business models for managing financial instruments of business entities.

Table 1

Comparative characteristics of business models for managing of financial instruments of business entities

Criteria	Model		
	Holding to receive contractual cash flows	Holding to receive cash flows and sale	Active trading (speculative model)
The purpose of retention	Generating stable cash flows	Receiving cash flows and possible sale	Sale for profit from market changes
Main instruments	Bonds, loans, other debt obligations	Bonds, shares, other financial assets	Shares, derivatives, short-term financial assets
Valuation at the balance sheet date	Amortized cost	Fair value through other comprehensive income (FVOCI)	Fair value through profit or loss (FVPL)
Flexibility in sales	Low	Medium	High
Priority	Receiving income from interest and principal	Balance between income from cash flows and ability to sell	Maximizing profit from market fluctuations
Risks	Low market risks, high credit risk	Moderate market risks	High market risks
Type of entities applying the model	Banks, investors with long-term strategies	Companies with a mixed investment strategy	Investment funds, traders
Frequency of revaluation	Low (revaluation only for credit risks)	Regular revaluation in line with market value	Constant revaluation at market prices
Impact on the financial statements	Stable financial performance	Changes in the value of assets are recognized in equity	High volatility of financial results

Source: compiled by the author on the basis of (IFRS 9, 2012; IAS 32, 2012; NP(S)BU 13, 2001).

The correct choice of a business model for managing financial instruments allows business entities to effectively plan their cash flows, manage risks, and ensure proper reflection of financial results in reporting.

2. Challenges and comparative analysis of financial instruments valuation types in accounting

Burdenko emphasizes that both IFRS and NAR(S) require business entities to disclose, rather than hide, information in their financial statements about the size and consequences of the financial instruments they have used, since many financial instruments are used to manage financial risks, but their use is also accompanied by significant risks (Burdenko, 2006).

Valuation of financial instruments at the date of acquisition or origination is an important stage in their accounting. This stage determines the initial value of financial assets or liabilities and establishes the basis for subsequent assessments and reflection of changes in value. Therefore, the main features of the valuation of financial instruments at the date of acquisition/origination are determined by International Financial Reporting Standards (IFRS 9 "Financial Instruments") and national standards NAR(S) 13 "Financial Instruments") (IFRS 9, 2012; NP(S)BO 13, 2001).

The initial valuation of financial instruments is important in this context. At the date of acquisition or origination of a financial instrument, the enterprise must measure it at fair value. According to NAR(S) 13 "Financial Instruments", their initial measurement and recognition is carried out at actual cost, which is the sum of the fair value and costs incurred in connection with the acquisition or disposal of such instruments NAR(S) 13, 2001). This rule applies to both financial assets and financial liabilities. A distinction is made between fair value and initial cost, taking into account transaction costs.

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. For financial instruments, fair value is usually determined based on quoted market prices, if available.

For financial assets, if the financial instrument (for example, a stock or bond) is traded in an active market, fair value is determined at current market prices. For financial liabilities, fair value may include a market interest rate or the amount payable at the measurement date.

If certain financial instruments are not designated as being at fair value through profit or loss (FVPL), transaction costs are included in the initial cost. These are additional costs incurred as a result of the purchase, the emergence of a financial liability (taxes, commissions, fees).

If financial assets provide cash flows or are intended for sale (amortized cost or FVOCI), transaction costs are included in the fair value.

For financial instruments measured at fair value through profit or loss (FVPL), transaction costs are not included in the initial cost because they relate to expenses of the reporting period.

Let us consider the methods of valuing financial instruments depending on their category. At the date of acquisition, financial instruments are classified depending on the business model of the entity and the characteristics of the instruments themselves. Accordingly, their further accounting approaches are determined:

Financial assets measured at amortized cost. If the entity aims to hold financial assets to receive contractual cash flows and these cash flows consist of repayment of the principal amount of the debt and interest, such assets are measured at amortized cost. At the date of acquisition, the asset is recognized at fair value plus transaction costs, for example, bonds that the entity plans to hold to maturity to receive fixed interest payments.

Financial assets measured at fair value through other comprehensive income (FVOCI) are those assets that the entity holds to receive cash flows or their subsequent sale. They are measured at fair value plus transaction costs. Subsequent changes in their value are recognized in other comprehensive income of the entity.

Financial instruments measured at fair value through profit or loss (FVPL) include those that the entity holds for speculative trading or if they do not meet the criteria for other categories. They are initially measured at fair value, with transaction costs not added to the initial cost but recognized as expenses of the period (derivatives, including forwards, futures, options and other instruments).

Pylypenko and Demska believe that the predominance of fair value in the valuation of financial assets can be justified by the volatility of financial instrument markets, and the variability in the recognition of the results of their revaluation is due to the basis of the conceptual framework of financial reporting on a combination of financial and physical concepts of capital preservation (Pylypenko & Demska, 2020).

The main methods of subsequent valuation are: valuation at amortized cost, at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) (*Table 2*).

Table 2

Comparative characteristics of subsequent measurement of financial instruments in accounting

Characteristics	Methods of valuation		
	At fair value through profit or loss (FVPL)	At fair value through other comprehensive income (FVOCI)	At amortized cost
Category of financial instruments	Speculative assets/liabilities, derivatives	Assets held to collect cash flows or to be sold	Assets held to collect fixed cash flows
Purpose of holding	Short-term transactions to take advantage of market changes	Held for sale or stable income with the possibility of sale	Receiving stable cash flows (interest, debt repayment)
Initial measurement	Fair value, transaction costs are not taken into account	Fair value, transaction costs are recognized	Fair value plus transaction costs
Subsequent measurement	Revaluation at each reporting date at fair value	Revaluation at each reporting date at fair value	Measurement at amortized cost using the effective interest rate
Recognition of changes in financial statements	Recognized in profit or loss	Recognized in other comprehensive income, with possible reclassification to profit/loss on sale	Recognized through cost amortization and interest income/expense

End of Table 2

Characteristics	Methods of valuation		
	At fair value through profit or loss (FVPL)	At fair value through other comprehensive income (FVOCI)	At amortized cost
Volatility of earnings	High	Low (until the asset is sold)	Low
Impact on the income statement	Directly affects net income	Exposure through OCI, which reduces the impact of market fluctuations on key profitability indicators	Minimal impact, stable cash flows
Application in real conditions	Speculative assets, short-term transactions	Long-term equity investments, strategic investment portfolios	Long-term loans, bonds to maturity
Example of financial instruments	Derivatives, shares for speculation	Shares of non-core companies, long-term investment portfolios	Bonds held to maturity, loans

Source: compiled by the author on the basis of (IFRS 9, 2012; IAS 32, 2012; NSAU 13, 2001).

Determining the fair value of financial instruments is an important, but at the same time complex process due to several key issues, including:

- the instability of market conditions, which can change rapidly, which makes the fair value assessment vulnerable to fluctuations. In the event of the emergence and exacerbation of economic crises or periods of significant fluctuations, asset prices can change dramatically, which complicates the assessment process;
- low market activity – when there is no active sale of financial instruments on the market, the process of assessing such instruments is significantly complicated, given the lack of necessary data. Under such conditions, valuation approaches using models (discounted cash flows) can be introduced, but the reliability of the assessment is significantly reduced;
- the subjective nature of the assessment is a significant number of methods for assessing fair value require the use of certain assumptions and subjectivity, in particular, regarding expected cash flows, the discount rate, risks, which can cause errors;
- liquidity impact for financial instruments with low liquidity, it is difficult to assess using the fair value indicator, because their sale price may differ significantly from the apparent fair value;
- uncertainty risks during assessment, it is advisable to take into account the set of various risks that can affect the current and future value of a financial asset; the greater the degree of uncertainty, the more difficult it is to assess;
- application of different assessment standards means that there are a certain number of standards used when assessing fair value, but their interpretation and implementation practices may vary significantly, which makes the process of comparing assessment results between companies or countries in the world more complicated.

There are a number of recommendations for discounting in terms of risks that can be used by business entities.

First, when discounting cash flows, it is important to take into account as many risks as possible that may ultimately affect the future value of financial instruments (market risks, credit risks, operational risks, as well as risks related to liquidity). Given the above risks, it is worth using adjustments to the basic discount rate, which characterize the specific risks inherent in a particular financial instrument.

Secondly, in order to reduce the uncertainty of the value of future cash flows, it is advisable to use a scenario approach, which is based on assessing several possible scenarios (basic, optimistic, pessimistic are usually distinguished). Each scenario should be assigned a corresponding probability, and the final estimate of fair value should be formed taking into account the averaged results for all the scenarios considered.

Thirdly, the procedure for taking into account high risk requires adding a risk premium to the standard discount rate, which will allow for a more accurate assessment of risky financial instruments in terms of probable losses or profits that may arise in the future, for example, due to market fluctuations or increasing uncertainty.

Fourth, it is worth periodically reassessing the discount rate, without leaving it fixed throughout the entire period of holding the financial instrument. Regular review and adjustment in accordance with relevant macroeconomic fluctuations or changes in the risk profile of the entity will allow you to take into account their impact and respond in a timely manner, ensuring the stabilization of the organization in the market.

Fifth, in order to avoid subjective and ensure transparency of the assessment process, in the absence of direct data for determining the discount rate, it is worth using market rates for similar financial instruments or debt obligations as a guideline.

Sixth, conducting a sensitivity analysis to changes in the discount rate will allow you not only to assess the impact of rate fluctuations on the fair value of the instrument, but also to predict alternative scenarios and the risks associated with them.

It should be noted that the issues of determining the fair value of financial instruments are closely related to the variability of market activity and its determinants, the subjectivity of assessments, which requires the correct choice of a discounting strategy that would take into account all possible risks as fully as possible.

The riskiness of the discounting process is also affected by the gradual depreciation of financial instruments, and accordingly, the increasing need to assess potential credit losses.

In general, impairment of financial instruments is the process of recognizing that a financial instrument (including receivables, loans, bonds) has lost part of its value due to an unreasonably high risk of non-repayment

of debt obligations or deterioration in the solvency of the counterparty. According to IFRS 9 (2012), impairment of financial instruments requires the assessment of expected credit losses and their reflection in financial statements in order to ensure transparency of risks. IFRS 9 introduces the concept of Expected Credit Losses (ECL), which is the basis for determining the impairment of financial instruments. Instead of waiting for insolvency problems to arise, business entities should assess potential losses in advance based on future risks (IFRS 9, 2012).

Credit loss assessment is carried out using two main models. The first is the general model (3-stage), which is used for financial instruments such as loans and receivables, except for those that fall under the simplified model.

The general model consists of three stages:

Stage 1: 12-month expected credit losses are recognized (instruments that have not yet shown a significant increase in credit risk).

Stage 2: Lifetime expected credit losses (instruments that have shown a significant increase in credit risk but are not yet impaired).

Stage 3: Lifetime expected credit losses (instruments that are already impaired).

The transition between stages depends on the increase in credit risk and the need to estimate losses over the life of the financial instrument.

The second is a simplified model, which is used for accounts receivable, lease payments and contract assets. It allows for the recognition of expected losses over the entire life of a financial instrument from the moment of its inception, without using a staged approach. This model reduces the complexity of accounting for such financial assets, allowing entities to avoid a detailed analysis of changes in credit risk at each stage.

The assessment of credit losses and impairment of financial instruments are important elements of accounting policies that reduce the risks associated with non-repayment of debt obligations. The general and simplified models for assessing credit losses ensure the adaptability of the process depending on the type of assets and risk factors.

A comparative analysis of approaches to the assessment and revaluation of financial instruments in accounting, in particular IFRS and NAR(S) in Ukraine, is given in *Table 3*.

IFRS approaches are more detailed, flexible and meet the international requirements of a market economy. They require constant revaluation of asset values based on market data and risk assessment. GAAP, while providing basic requirements for accounting for financial instruments, is more simplified and less demanding in terms of assessing future risks and using fair value.

Table 3

Comparative analysis of approaches to valuation and revaluation of financial instruments in accounting: IFRS and NAR(S) in Ukraine

Criteria	International Financial Reporting Standards (IFRS)	National Accounting Regulations (Standards) (NAR(S))
Legal regulation	IFRS 9 "Financial Instruments"	National Accounting Standard 13 "Financial Instruments"
Categories of financial instruments	Classification depends on the business model and cash flow characteristics. The main categories are: financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income (FVOCI); financial assets measured at fair value through profit or loss (FVTPL).	Financial assets held for sale; investments held to maturity; receivables
Initial measurement	At fair value. If a financial asset or liability is not at fair value through profit or loss, the cost includes transaction costs	At fair value, but acquisition costs may be used for certain types of assets
Subsequent measurement	Depending on the category of the asset: amortized cost for assets held to collect cash flows; fair value through other comprehensive income for assets held to collect cash flows or for sale; fair value through profit or loss for assets held for trading or speculation.	Fair value measurement is used for assets held for sale, and amortized cost or acquisition cost is used for other categories
Recognition of impairment	The Bank uses an expected credit loss (ECL) model that takes into account future losses and assesses credit risk at 3 stages: 12-month ECLs, long-term ECLs, and actual losses	Recognition of impairment on the basis of actual occurrence of losses, without using the expected loss model. The value of an asset is reduced when there is a realistic threat of its non-recovery
Credit losses	Requires the measurement of expected credit losses from the moment of initial recognition of a financial asset, even if insolvency problems have not yet arisen	It does not contain detailed requirements for estimating expected credit losses. Impairment assessments are usually made only when there is evidence that the debtor's financial condition has deteriorated
Fair value measurement	The approach in accordance with IFRS 13 "Fair Value Measurement" is used, which requires the use of market data or valuation models (discounted cash flows, multiples) in the absence of an active market	Allows for fair value measurements only for assets that are marketable and for which market data are available. The use of valuation models is less common
Recognition of gains/losses on revaluation	Gains or losses resulting from fair value re-measurement are recognized either in profit or loss (for FVTPL instruments) or in other comprehensive income (for FVOCI instruments)	Changes in the value of assets held for sale are recognized in other equity until sold, at which time they are recognized in profit or loss
Restructuring of liabilities	It is treated as a modification of a financial liability with its fair value remeasured and a gain or loss may be recognized as a result of the restructuring	Contains less detailed requirements for restructuring of liabilities, although changes in repayment terms may be recognized as a modification of the contractual terms, but the measurement mechanism is less complex

Source: compiled by the author on the basis of (IFRS 9, 2012; IAS 32, 2012; NSAU 13, 2001).

3. Prospects for improving the accounting of financial instruments in Ukraine

Finding ways to improve the valuation of financial instruments in accounting in Ukraine, despite the circumstances caused by martial law, today seems to be an important task, since in the end it can contribute to increasing the stability of the financial system and increasing investor confidence. Therefore, the following proposals can be distinguished:

- adaptation of international standards and implementation of flexible approaches to their valuation, which will include, in particular, the introduction of adapted international financial reporting standards (IFRS) into the economic activities of Ukrainian business entities, taking into account the specifics of their functioning during martial law in Ukraine, for example, by taking into account simplified fair value valuation procedures for financial instruments;
- implementation of credit risk assessment, in particular through the development of specialized models that will take into account military risks and market instability and uncertainty, based on the application of scenario analytical approaches to assess the predicted consequences;
- conducting regular monitoring of the financial market based on specially developed or improved existing mechanisms to obtain up-to-date information on price trends, liquidity and other important factors affecting the process of evaluating financial instruments;
- improving the transparency of financial reporting by detailing the disclosure of risks, primarily those related to factors associated with the destructive impact of military actions, as well as determining the strength of the impact of these risks on the evaluation of financial instruments;
- deployment of state financial support programs for organizations affected by military actions in Ukraine, as well as provision of consulting services to business entities on the correctness of accounting and valuation of financial instruments in conditions of uncertainty;
- organization of training programs and seminars for specialists in the field of accounting and financial management in order to improve their qualifications and expertise in the valuation of financial instruments;
- establishment of cooperation with international financial organizations in order to obtain expert assistance and consultations on the adaptation of accounting standards and valuation methods to the conditions of martial law in Ukraine;
- introduction of the latest information technologies to automate accounting and valuation processes, which will reduce the risks of errors and generally increase the efficiency of valuation.

Significant changes have occurred in International Financial Reporting Standard (IFRS) 9, affecting financial instruments, their classification, valuation and reflection in accounting. Nagorna noted the key changes.

Classification of financial assets: New business models for asset management provide for different approaches to accounting based on expected cash flows. Assets are measured at amortized cost, fair value through other comprehensive income, or through profit/loss.

Expected loss model: Three stages of impairment have been introduced to determine credit losses – basic, special, and simplified approaches, which involve an analysis of credit risk at the date of initial recognition of the asset.

Retrospective application: The transition to IFRS 9 requires a retrospective approach with new calculations, description of models, and revised disclosures (Nagorna, 2022).

IFRS 9 provides clarification on when financial liabilities are derogated from when electronic settlement is used, particularly through digital payment systems. This is in response to the growing popularity of electronic payment solutions and certain reporting challenges (IASB, 2024).

Significant emphasis is placed on the issue of accounting for instruments in connection with macroeconomic challenges, together with risks associated with climate change and political events, in particular the introduction of martial law in Ukraine. In 2022, this led to increased disclosure requirements for entities that are affected by established trade relations or investment patterns in the region, as well as updated rules on hyperinflation for countries where inflation is gaining momentum (Baur, 2023).

The updated requirements of IFRS 9 and IFRS 7 now include expanded classification and measurement approaches for assets that contain ESG (environmental, social and corporate governance) features, the so-called "green" loans. The changes were introduced to clarify the procedure for valuing assets and accounting for assets by companies to ensure the achievement of ESG-related goals, more effective management of credit and investment risks within the framework of hedge accounting (IFRS) (KPMG, 2024).

Asset accounting and financial reporting issues are being updated in view of the impact of factors related to the introduction of martial law in Ukraine, primarily in the direction of forming recommendations for assessing the impairment of assets, as well as financial risk management (KPMG – Ukraine, 2022).

In 2023 The IASB has published amendments to IAS 32 to more accurately classify instruments that contain both debt and equity characteristics, which has become important for improving the comparability of financial statements between companies (IASB, 2023).

As Logvinov notes, financial instruments play a key role in the development of cross-border cooperation, providing the necessary resources and mechanisms for the implementation of joint projects and programs between countries. In the context of economic globalization, the effective use of financial instruments (such as loans, grants, investments, guarantees and other mechanisms) helps to strengthen economic ties, improve infrastructure, stimulate investment and promote sustainable development of regions (Logvinov, 2024).

Yatsun and Vdovenko (2024) emphasize the feasibility of using financial instruments for sustainable development, such as green investments, green bonds, and impact investing, which contribute to the financing of projects with an environmental and social focus.

These changes and innovations should be taken into account when carrying out accounting identification and valuation of financial instruments by domestic business entities.

Conclusions

Thus, the concept of "accounting identification and valuation of financial instruments" refers to the processes of determining and evaluating financial assets, liabilities and capital instruments of enterprises in order to ensure their effective use in financial reporting. This involves the selection of business management models that contribute to the stability of cash flows and risk minimization. The need to improve approaches to the valuation of financial instruments is due to the influence of such global and local factors as economic uncertainty, inflation, exchange rate fluctuations, the impact of military operations and other challenges.

The research has been confirmed that taking into account changes in the standards for accounting and valuation of financial instruments, adapting approaches to their management in accordance with the challenges of globalization, digitalization and economic instability, as well as improving valuation methods have a positive impact on the transparency of financial reporting and the effectiveness of financial risk management.

The research results have been provn that the correct valuation of financial instruments and their reflection in reporting require the use of adapted standards, digital technologies and mathematical modeling. Particular attention should be paid to the use of fair value models, accounting for risks and predicting their impact on financial results.

It was found that the process of improving the valuation of financial instruments in accounting in Ukraine, despite the circumstances caused by the crisis trends in the development of the Ukrainian economy, should be comprehensive and based on a combination of a number of the above-mentioned tools to improve approaches to their accounting, which will allow for a more accurate and reliable valuation of financial instruments and will contribute to the post-war economic recovery of our country. Prospects for further research are aimed at developing tools for digitizing accounting processes for financial instruments, adapting international standards to national conditions, and improving methods for assessing and managing risks, in particular credit and market risks.

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Conflict of interest. The author certifies that he doesn't have financial or non-financial interest in the subject matter or materials discussed in this manuscript; the author has no association with state bodies, any organizations or commercial entities having a financial interest in or financial conflict with the subject matter or research presented in the manuscript. Given that the author is affiliated with the institution that publishes this journal, which may cause potential conflict or suspicion of bias and therefore the final decision to publish this article (including the reviewers and editors) is made by the members of the Editorial Board who are not the employees of this institution.

The author received no direct funding for this research.

Karzun, D. (2025). Accounting identification and valuation of financial instruments. *Scientia fructuosa*. 2(2025). 105–119. https://doi.org/10.31617/1.2025(160)06

Received by the editorial office 04.03.2025.
Accepted for printing 18.03.2025.
Published online 11.04.2025.