

*O. Ostapchuk, Student*  
*S. Lehenchuk, Dr. Ec., Prof., research advisor*  
*O. Syvak, PhD in Ec., As. Prof., language advisor*  
*Zhytomyr State Technological University*

## **STARTUP BUSINESS AND ITS ACCOUNTING ISSUES**

In recent years, such business phenomenon as a startup has become quite popular. The urgency of the problem is based on the fact that the startup developer, while developing a small business, is not able to make sound managerial decisions without control over financial resources.

CB Insights has published an analysis of the main reasons for the failure of startups, among which the most significant are market insecurity in the created product (42%) and lack of funds (29%). The smallest share was taken by the lack of flexibility of the company (7%). Among other indicators, there were other financial factors, such as: problems with pricing (18%), problems with the business model (17%), weak marketing (14%), incorrect strategy (10%), lack of interest from investors (8%), etc. Thus, all of these issues are related to uncontrolled financial resources [1].

Sooner or later, any project is facing the question of using an accounting to make important management decisions that will affect its financial future. After all, when starting a business, an entrepreneur should focus on finding financial resources, creating his product, developing partnerships and generating sales. That is why, accounting for the startup is an integral part of its development.

Before understanding the peculiarities of the accounting for startup, one need to understand what a startup is in general. Startup is a new business project that seeks to realize an entirely new unique idea, to suggest a new product at the market in order to get profit from this project and its further development. It is important to understand that not all newly created projects can be called startups. All startups have one particular feature: their idea is brand new, the product is original, not copied from other existing projects.

There are five main stages of startup development [2]:

*Startup shaping.* The search of idea and developing of its technical methods of realization are at the stage of shaping. The initiative group conducts market analysis, writes a business plan, formulates a technical task. Next steps are: creating a prototype product, testing its versions, studying the demand and finding sources of funding. At this stage, during the activities planning, it is necessary to predict the costs of activities, to make an approximate cost of the product, etc.

*Startup formation.* At this stage an investor is found, and the product is marketed. The product must prove its superiority to its competitors in market environment. When compiling accounting reports, it is necessary to allocate separate graphs of income, expenses and profit, for example, for each group of goods. This way, we can see if growth in sales really increases our revenue, and if there is no income, an initiative group should intervene and improve the situation.

*Early project development.* The company goes into development if the product is competitive. The product captures the market niche, which its developers have been focusing on. Small business goes to break-even point and brings profit to investors.

*Startup expansion.* At this stage, the product occupies new market shares, is in high demand and, consequently, the revenue is gradually increasing. Accounting will help to calculate and plan the right direction to the next stage by examining, with the help of accounts, the needs of buyers, which, accordingly, will increase demand.

*Maturity of the project.* The investors, who funded the project are selling their share in the business, when the company reaches the peak of its development, which brings them good profit. Although, individual investors retain their share and use it as a source of constant income.

Entrepreneurs do not often use the accounting for cash flow at the start of their business. However, reasonable accounting for finances from the very start can help correctly assess its financial situation and guide the cash flow in the right direction. After analyzing a large number of factors related to the creation, development and planning of the startup, we believe that it is necessary to keep accounting records at all stages of the startup development, in order to make sound managerial decisions, increase the economic benefits and reduce the cost of small business. Accounting will help to understand the current situation in general, consider development opportunities and find ways to reduce the risks of decisions.

## REFERENCES

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