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e-mail: quliyevvagiff@gmail.com; ORCID: 0000-0002-1580-2482***PROBLEMS OF CLASSIFICATION AND VALUATION OF FINANCIAL ASSETS**

**Abstract.** The article discusses the main problems of the classification and valuation of financial assets, namely, in terms of inconsistencies in the approaches proposed by the International Financial Reporting Standards (IFRS) and the OECD Transfer Pricing Guidelines. The study found that in many countries that have begun to apply International Financial Reporting Standards, there are no uniform rules for the classification, assessment and determination of the fair value of financial assets. The need to address these issues is of particular importance in the context of the development of the OECD initiative to implement the BEPS. This determined the direction of the study and allowed formulating the aim of the study, which is to develop sound proposals for further development and improvement of IFRS provisions related to the classification and valuation of the fair value of financial assets. The methodological background of the research involved an institutional approach to the study of socio-economic processes and phenomena, as well as a system of principles and methods for creating and assessing value, which is based on philosophical, worldview, general scientific and special scientific methods. The study allowed systematising and classifying financial assets according to different features and characteristics. The proposed classification of financial assets makes it possible to determine the directions for improving accounting in terms of its arrangement based on the approximation of IFRS to the OECD Transfer Pricing Guidelines. The promising areas for further research include the development of a unified procedure for determining the real value of financial assets for taxation and accounting purposes.

**Keywords:** financial assets, economic essence, classification, assessment, financial market, fair value.

**JEL Classification** G12, D53

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e-mail: quliyevvagiff@gmail.com; ORCID ID: 0000-0002-1580-2482***ПРОБЛЕМИ КЛАСИФІКАЦІЇ ТА ОЦІНКИ ФІНАНСОВИХ АКТИВІВ**

**Анотація.** Розглянуто основні проблеми класифікації та оцінки фінансових активів, а саме щодо невідповідності підходів, запропонованих Міжнародними стандартами фінансової звітності (далі — МСФЗ) та Інструкціями з трансфертного ціноутворення ОЕСР. Дослідження виявило, що в багатьох країнах, які почали застосовувати Міжнародні стандарти фінансової звітності, не існує єдиних правил класифікації, оцінки і визначення справедливої вартості фінансових активів. Потреба вирішення цих питань є особливо важливою в контексті розвитку ініціативи ОЕСР щодо впровадження BEPS. Це визначило напрям дослідження і дозволило сформулювати мету дослідження, яка полягає в розробленні обґрунтованих пропозицій щодо подальшого розвитку і вдосконалення положень МСФЗ щодо класифікації та оцінки справедливої вартості фінансових активів. Методологічне підґрунтя дослідження передбачало інституційний підхід до вивчення соціально-економічних процесів і явищ, а також систему принципів і методів створення та оцінки цінності, яка базується на філософських, світоглядних, загальнонаукових і спеціальних наукових методах. Дослідження дозволило систематизувати і класифікувати фінансові активи за різними ознаками та ознаками. Запропонована класифікація фінансових активів дає змогу визначити напрями вдосконалення бухгалтерського обліку в частині його організації на основі наближення МСФЗ до Керівництва з трансфертного ціноутворення ОЕСР.

Перспективними напрямками подальших досліджень є розробка єдиного порядку визначення реальної вартості фінансових активів для цілей оподаткування та бухгалтерського обліку.

**Ключові слова:** фінансові активи, економічна сутність, класифікація, оцінка, фінансовий ринок, справедлива вартість.

Формул: 0; рис.: 1; табл.: 1; бібл.: 25.

**Introduction.** Azerbaijan's integration into the world economy and the resulting need to adhere to world standards in the national legal field, including accounting and financial reporting, determine the topicality of studying the problems of financial asset valuation. Difficulties in valuating financial assets are due to differences in approaches that are proposed by IFRS and the guidelines of the Organization for Economic Cooperation and Development (OECD) [1; 2].

The main problem is the definition of the «fair value» of the asset, which is closely connected with the precise definition of the economic nature of the transaction in financial instruments for transfer pricing purposes. For tax purposes, the transaction price between companies is considered a transfer price, since it is formed according to principles different from the market ones [3].

These major problems give rise to a number of inconsistencies that complicate the accounting for financial asset transactions. Difficulties in classification lead to inaccurate disclosure of information in the notes to the financial statements, distortions in the display of income and losses in tax accounting and bookkeeping, which leads to conflicts between taxpayers and regulatory authorities [4]. All the outlined problems determine the topicality of studies of the problems of classification and accounting of financial assets, the importance of which is increasing due to the confirmation of Azerbaijan's participation as an OECD partner country.

During the 2008 financial crisis, the G20 tasked the International Accounting Standards Board to formulate a single set of high-quality global accounting standards. The financial crisis prompted a change in approaches to the classification of financial instruments and the determination of their fair value, which are now formalised in IFRS 9 Financial Instruments.

The world-famous audit companies characterised the differences between the new standard and IAS 39 Financial Instruments: Recognition and Measurement and indicated that it is based on the concept that financial assets should be classified and measured at fair value, which is used to determine profit and loss as incurred. If necessary, financial assets should be reclassified [5; 6].

The dual process of classifying financial assets, based on the assessment of the business model and cash flow characteristics, reduces the bias in the estimates at the company's management discretion, which was the case in the classification of financial instruments in accordance with IAS 39. The new standard eliminates the subjective view of managers on classification of financial instruments in the portfolio. The updated accounting policy requirements for financial assets (fair value, amortized cost) are more in line with their carrying amount and/or target regulatory capital [7]. Therefore, the business model introduced by IFRS 9 provides more precise classification criteria [8].

Despite these positive features compared to IAS 39, IFRS 9 added difficulties in assessing the likelihood of impairment at the management's discretion [10; 11], which may distort the determination of fair value. The new impairment model introduced by IAS 39 may seem difficult to apply (and therefore less important) compared to the incurred loss model, especially due to the lack of specific guidance on how to estimate expected losses. The complexity of the practical application of the valuation model increases with the application of a traditional set of accounting standards. And this can cause involuntary errors in expected loss estimates [12; 13].

According to authors [14; 15], the business model resulting from testing IAS 39 is highly dependent on the senior management's decision, and therefore provides for the introduction of limited guidance on the implementation of rules-based procedures. Previous standard accounting rules have been built around the establishment of asset class categories. The new rules under IFRS 9 Financial Instruments are based on a business model and are determined by the characteristics of cash flows.

Authors [16; 17] concluded that the reclassification of financial assets can reduce the use of accounting entities, ensure greater reliability of accounting information, and effectively prevent fraud. At the same time, reclassification is followed by the problem of the subjectivity of the assessment of the business model.

The problems of determining the value of assets and liabilities have become particularly urgent in connection with the spread of the practice of applying IFRS, which have added new types of valuation of financial assets: fair value and value in use. Financial assets are classified according to a variety of criteria. The list of signs has expanded significantly as a result of the activities of international financial institutions in the implementation of the BEPS. Thus, despite a large number of scientific studies dealing with the problem of valuation and classification of financial assets, the issues of their accounting display, this problem requires careful study.

The aim of this article is to develop sound proposals for the further development and improvement of the IFRS provisions related to the classification and measurement of the fair value of financial assets. This aim provides for the fulfilment of a number of objectives, namely, the determination of the peculiarities of accounting for financial assets; systematisation of the classification features of financial assets and their types; research and improvement of approaches to determining the «fair» value of financial assets.

**Methods.** The proposed research is descriptive for fixing certain features of the display of financial assets in accounting. The methodological background of the research is an institutional approach to the study of socio-economic processes and phenomena, as well as a system of principles, means and approaches based on philosophical, worldview, general scientific and special scientific methods. The theoretical and methodological background of the study was made up of the works of leading scholars in the field of finance, the securities market, accounting and reporting, taxation, legislative and regulatory acts, international financial reporting standards, and OECD guidelines.

The study involved general scientific complementary methods — induction and deduction (to analyse the problems of accounting for financial assets), analysis and synthesis (to identify classification features and draw conclusions), systemic and historical approaches (to understand changes in international financial asset standards), as well as special methods — grouping, systematisation and generalisation (to form a classification of financial assets and an algorithm for their assessment).

**Results.** In the context of globalisation, there is a unification and approximation of approaches to taxation, as well as the organisation and implementation of accounting in many countries of the world. This is due to the formation of a single information space for the management of financial and other resources. Accordingly, there is a unification of financial reporting, including approaches to the assessment of financial assets, which contributes to the expansion of developing countries' access to world financial markets, including to the investment resources of international organisations. Moreover, the requirement to bring the national legal framework on financial issues is one of the conditions for access to such resources, as well as participation in various economic unions and associations. Ultimately, this approach enhances the country's competitiveness and enhances its investment attractiveness.

Financial assets are formed as a result of the creation of a financial instrument, that is emission of debt obligations of various forms, as well as derivatives. As a result of the creation and use of financial instruments, one business entity has a financial asset, and another, bound by a contractual obligations for a specific operation, has a financial liability. As a rule, financial instruments are used as an alternative to direct bank lending in order to diversify funding sources. Sometimes, financial instruments act as a means of payment for ordinary operations for the supply of goods (works, services), and also perform the function of pledges and formation of the company's authorized capital, including share capital.

Today, the market uses many financial instruments that differ in features and characteristics that affect their pricing (asset value). The cost of financial instruments differs depending on the underlying economic circumstances, namely, the interest rate of the central bank, currency regulation rules, conditions of access to the financial market, government regulations that apply in

a particular state, or the specifics of the financial market (currency, credit, investment etc.). The main derivative financial instrument is a derivative, which in practice is used to hedge risks by issuing options and futures. Both financial assets and financial liabilities are carried at fair value, which is initially determined by the transaction price.

IFRS 9 identifies 3 main categories of financial assets depending on their valuation methods, namely:

- at amortised cost;
- at fair value with revaluation shown in profit or loss;
- at fair value with the revaluation shown in other comprehensive income.

However, in the context of the development of financial markets, as well as the tightening of regulatory requirements for capital transactions, portfolio investments, including in the framework of the BEPS, there is a need to revise the methods and approaches to assessing the value of financial instruments.

The main problem in accounting for financial assets is to determine their fair value, which is impossible without a precise definition of its economic essence. The OECD Transfer Pricing Guidelines to Financial Transactions reveal some of the accounting features of financial assets that should be taken into account in the national legislation of each country that has joined the BEPS.

An accurate definition of the economic essence is recommended to begin with a thorough study of the significant characteristics of the transaction, namely: the terms of the contract; characteristics of financial instruments, their functions and risks; the economic position of the parties in the market (lender-borrower); business strategy.

A financial transaction must take into account the terms that would be negotiated by independent parties in comparable circumstances. The provider of funds shall analyse all alternative investment opportunities. From the point of view of the borrower, it is necessary to assess the feasible alternative options for raising financial resources, as well as its ability to service debt, and determine the actual amount of funds to meet the needs for additional financing. The comparability analysis identifies differences in the terms of the current transaction and the transaction between independent parties. If there are discrepancies, it is necessary to determine their impact on the price, that is, how they affect the value of the asset and make appropriate adjustments.

The fair value of financial assets depends on the accuracy of determining the economic substance in relation to financial transactions. Therefore, there is a need to concretise the pricing of loans, pooling funds, financial guarantees, hedging, captive insurance, and other operations that result in the creation of financial instruments. The current approaches to assessing the capital structure, as well as the permissible amounts of deduction of interest from the taxable base on the basis of determining the risk-free rates of return, as well as ways of adjusting the rates of return for acceptable risk, are subject to clarification.

Approaches should be based on a consideration of the debt-to-equity ratio, as well as on whether it is possible to consider certain financial assets (liabilities) as an ordinary loan, or refer the recorded amounts to contributions to the authorised (share) capital. The main issue is the assessment and qualification of interest and dividends, that is, identifying their differences according to their inherent characteristics. The difference in approaches to taxation of dividends and interest in many states ultimately matters in the allocation of taxable profit.

The actual behaviour of the parties to the transaction may differ from the declared contractual relationship. In this connection, it becomes necessary to confirm the actual results of the transaction with statements of bank transactions. As a rule, the main functions are performed by the lender, who decides on the direction of investment, determines the terms of the loan, as well as analyses and assesses the risks of the operation and monitors the state of the loan. Accordingly, when analysing the accounting for financial assets, it is necessary to clarify the circumstances of accounting for liabilities by the party that issued the financial instruments.

It is worth noting that the concept of «financial assets» has not become widespread and is interpreted mainly from the point of view of its structuring enshrined in the legislation. However, this definition is complex in nature and must be considered at the strategic and tactical levels.

The tactical level of financial assets is revealed through the specifics of their tax accounting and bookkeeping. It is the absence of a clear categorical framework in this area that causes a number of conflicts on the classification and valuation of financial assets.

Financial assets are identified with financial instruments, which leads to their incorrect reflection in the financial statements. Based on the results of the generalisation of the interpretation of the definition of «financial assets», it is proposed that financial assets be understood as the company’s resources certifying its right to profit from certain activities in the future and the cost of which is determined by the peculiarities of the use of certain financial instruments of the company.

At the same time, a feature of financial assets is that they:

- do not have physical form and material expression;
- promote the transfer of financial resources between participants in economic relations;
- their value is determined by the degree of development of the national financial market and the specifics of the company’s accounting policy.

It is these characteristics that should form the basis for the classification of financial assets summarised in *Table*.

Table

**Classification of financial assets**

<b>Classification attribute</b>	<b>Types of financial assets</b>
From the standpoint of the implementation of accounting policies	- funds and their equivalents; - contracts giving the right to receive funds or other financial assets from another company; - contracts giving the right to exchange financial instruments with other companies on potentially favourable terms; - equity instruments of another company
From the standpoint of reflection in financial statements	- money and their equivalents; - long-term and current financial investments; - accounts receivable for products (goods), services, bills received; - receivables related to the acquisition of financial investments, receivables from loan transactions
According to the valuation method in the accounting system	- financial assets measured at fair value; - financial assets measured at amortised cost
According to the degree of representativeness in the market	- marketable financial assets; - non-market financial assets
According to strategic goal	- financial assets measured at fair value, with display in profit or loss for the period (display of the company’s current financial condition); - financial assets held until maturity; - loans and receivables; - financial assets held for sale
According to risk level	- financial assets with an acceptable level of risk for the company; - financial assets with a risk level unacceptable for the company
According to payback period	- long-term financial assets; - medium-term financial assets; - fast-payback financial assets
According to liquidity	- high-liquid financial assets; - low-liquid financial assets

*Source:* developed by the author based on research results.

It is this approach to the classification of financial assets that allows expanding the understanding of the essence of this category and improving the adequacy of accounting information.

Another problematic aspect in the management of financial assets of companies is the development of valuation algorithms. It is on the correctness of the valuation of financial assets that the adequacy of determining the value of business entities directly depends, which ultimately is the determining factor in making decisions on cooperation in the financial market.

Under the conditions of initial recognition of financial assets in accordance with IFRS, its value is determined at the market price (contract value). Either fair value or amortised cost may be selected when valuating a financial asset after initial recognition. At the same time, it is assumed that within the accounting policy in relation to a specific financial asset, reclassification may be carried out and the method of its assessment may be changed.

Given the imperfect functioning of the financial market, the issue of determining the fair value of financial assets, which depends on the level of supply and demand, that is, the market price of the asset at a particular date, as well as the conditions of the business environment in which the enterprises company, remains open. For non-marketable financial assets, their fair value is determined using generally accepted economic instruments, in particular discounting. At the same time, the main problematic aspects of determining the fair value of financial assets are:

- permanent changes in the structure and volume of the world market and its individual segments;
- lack of clear economic trends in the country's economic development;
- low level of objectivity of accounting information on the value of financial assets;
- lack of a clear algorithm, methodological tools, appropriate information and software for determining the fair value of financial assets.

Besides, the implementation of IFRS standards in accounting practice led to a rethinking of the process of assessing financial assets, focusing on the existence of a close relationship between their value and the purpose of a business project, that is, it urged the need to implement specific business models for managing financial assets in relation to each of their groups. At the same time, a business model should be understood as a financial asset management system, which provides for an accounting reflection of the company's strategic financial initiatives through the practical application of new accounting principles.

So, in accordance with IFRS, the following business models for managing financial assets are distinguished:

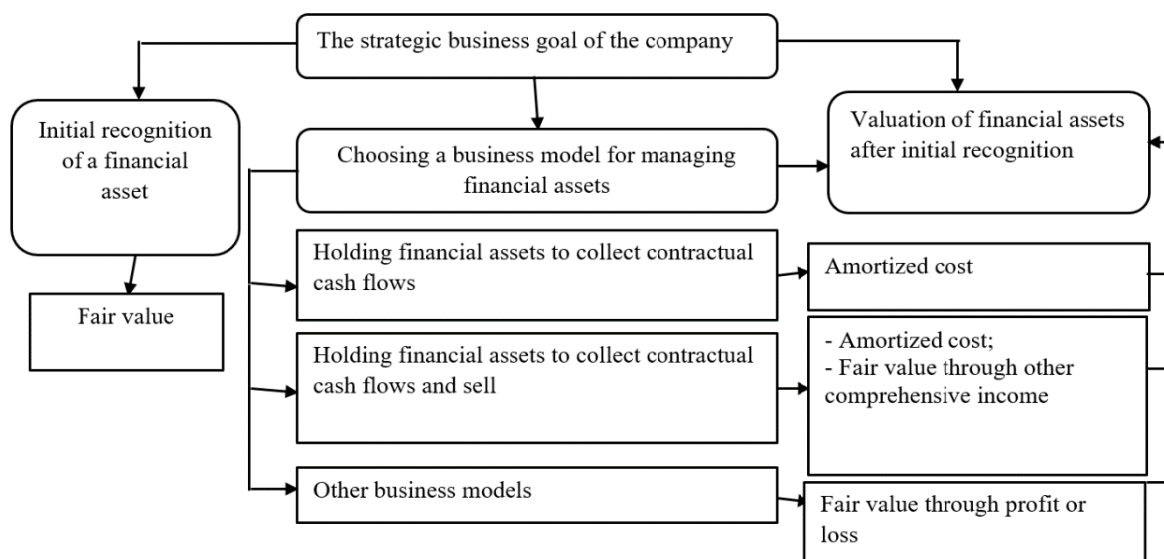
- a business model, which is to own financial assets in order to receive contractual cash flows. That is, the basis of such a business model is the implementation of a certain investment project, which is characterised by high profitability, constancy or positive dynamics of the conditions of the business environment;
- a business model with the goal of holding assets in order to receive contractual cash flows and sell cash flows through the sale of assets. This model assumes the management of the profitability of the financial portfolio by obtaining guaranteed cash flows from the investment project until their receipt exceeds the financial result from its sales;
- other business models that are applied in case of non-compliance of the investment project with the previous models.

Each of these models assumes the application of certain criteria for valuating financial assets, such as: at amortised cost; at fair value through other comprehensive income; at fair value through profit or loss; a combination of the above criteria.

Thus, the algorithm for valuating financial assets should include the following stages:

- 1) determination of the strategic business goal by the company;
- 2) selection and implementation of an appropriate business model for managing financial assets;
- 3) selection and implementation of the valuation criteria corresponding to the selected business model.

A general scheme of valuating financial assets is shown in *Fig.*



**Fig. Scheme of valuing the company's financial assets**

Source: developed by the author based on the research results.

The proposed scheme of valuing financial assets is clear and structures this procedure, and also allows representing the integration of international accounting principles with the OECD guidelines.

Consider a conditional example 1 of the valuation of financial assets.

Under the terms of the contract, Company A acquired on September 24, 21 the shares of Company B (200 pieces with a nominal value of \$ 20 each) at a value of \$ 60,000 for resale. The market price of one share on the date of purchase is \$ 25.

As of September 31, 2021, the market value of the acquired block of shares is \$ 80,000. At the same time, the purchase price was also higher than the exchange price — by \$ 10,000 [(\$ 60,000 (under the contract) — \$ 50,000 (200 pcs. \$ 25)].

According to IFRS 9, if there is such a difference, financial instruments must be reflected for fair value — \$ 50 000. The difference is reflected in the loss (the amount paid exceeds the value of the asset) (§ 5.1.1 and 5.1.2 of IFRS 9), and the services of a stockbroker — \$ 2,000, the initial value of such assets will be determined by actual costs — \$ 82,000 (\$ 80,000 + \$ 2,000).

Consider the following conditional example 2. The company purchased from the bank for resale ingots of bank gold weighing 1000 g with an initial value of \$ 900,000 (acquisition date — January 2021). In June 2021, this bank gold was sold to the bank for \$ 995,000.

Thus, in the IFRS financial statements as of June 30, 2021, the increase in the fair value of the financial asset of \$ 95,000 will be reflected in the Statement of gains and losses in the line «Investment income».

In accordance with IFRS, the cumulative revaluation of financial assets for prior financial years is recognized in equity and other comprehensive income, and the revaluation for the current financial year is reflected in the income statement for the current financial year.

Consider this situation in example 3.

Example 3. The company purchased from a bank for resale of ingots of bank gold weighing 1000 g at an initial cost of \$ 800,000 (acquisition date — January 2019).

As of December 31, 2020, the fair value of the ingot was \$ 900,000. In June 2021, this gold was sold to the bank for \$ 995,000.

Thus, in the financial statements in accordance with IFRS as of 30.06.2021 it is necessary to reflect:

- in the Statement of financial position equity:
- equity in revaluations — \$ 100,000;
- in the income statement and other comprehensive income;
- in the income statement;

- investment income — \$ 95,000;
- in the Statement of other comprehensive income;
- revaluation of long-term financial investment — \$ 100,000.

Consider the valuation of a financial asset using the amortized cost method in Example 4.

Example 4. On February 1, 2019, an enterprise purchased three-year bonds with a nominal value of \$ 3,000,000 at a discount. Interest income on these bonds is 20% per annum. The amount of the discount at the time of purchase was \$ 90,000. It is necessary to find out how these bonds will be reflected in the financial statements of the company, prepared in accordance with IFRS as of 31.12.2020.

Decision. To calculate the initial value of bonds, at which they will be credited to the balance sheet of the enterprise, you need to calculate the effective interest rate:

$$(90000 : 3) + (3000000 \cdot 20\%) / 3000000 = 21\%.$$

The effective interest rate is 21% per annum.

The amortized cost of a financial asset at which the asset is measured at initial recognition is calculated as follows: the discounted value of the cash flows from the bonds is first calculated effective interest method, which is \$ 1,693,422 ( $3,000,000 \cdot 1 / (1 + 0.21)^3$ ), then calculates the discounted value of cash flows from interest on bonds for the first, second and third years (also with using the effective interest method). This discounted value is \$ 1,244,360 ( $3,000,000 \cdot 20\% \cdot (1 / 1.21 + 1 / (1.21)^2 + 1 / (1.21)^3)$ ).

Thus, the amortized cost of the bonds at their initial recognition will amount to \$ 2,937,782 (\$ 1,693,422 + \$ 1,244,360).

In the Statement of Financial Position:

- non-current assets;
- long-term financial investments in bonds — \$ 2,973,499;
- current assets;
- accrued interest — 1,150 \$ 000 (\$ 550,000 + \$ 600,000);
- in the Income Statement for 2020;
- financial income — \$ 620,194 (\$ 600,000 + \$ 20,194).

There are cases in which an entity transfers an asset but retains the right to service the financial asset for a fee. In such cases, either a service asset or a service obligation is recognized. Consider the following situation in example 5.

Example 5. Enterprise «Alpha» sold goods (air conditioners) on July 1, 2019 for a total of \$ 32,000 (the cost of air conditioning — \$ 18,000). Under the terms of the sale, the contract price includes free warranty service for the air conditioner once a year for three years. Alfa's air conditioning maintenance costs are \$ 1,000. Alfa's gross profit margin on service is 50%.

Consider how this transaction will be reflected in Alfa's financial statements as of 30.06.2020 Decision. In this case, the sale of assets of the company «Alpha» leads to the simultaneous occurrence of the company's financial asset and financial liability, ie: financial asset arises in the form of receivables from the sale of goods (air conditioning); the financial liability arises in the form of long-term accounts payable from the warranty service of the air conditioner. Air conditioning maintenance continues to be accounted for on the balance sheet of Alfa.

It is necessary to calculate the total amount of cash flows from the sale of free warranty service of air conditioning: the total cost of the company for warranty service  $1000 \$ \cdot 3 \text{ years} = 3000 \$$ .

The amount of income from sales services taking into account the rate of gross profit 50%:  $3000 \cdot (100\% : 50\%) = 6000 \$$ .

Thus, in the total amount of income from the sale of air conditioning in the amount of \$ 32,000:

- income from sales air conditioning — \$ 26,000 ( $32,000 - 6,000$ );
- income from the sale of services (warranty service) — \$ 6,000, or \$ 2,000 per year.

Thus, in the financial statements in accordance with IFRS as of 30.06.2020 will be reflected:

- in the Statement of financial position;

- liabilities;
- long-term liabilities;
- long-term accounts payable for the cost of warranty service for the third year — 2000 \$;
- current liabilities;
- current accounts payable for the cost of warranty service for the second year — 2000 \$;
- in the Profit and Loss Statement;
- income from sales of goods, works, services — \$ 28,000 (\$ 26,000 + \$ 2,000);
- cost of goods sold, works, services — \$ 19,000 (\$ 18,000 + \$ 1,000).

Upon derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognized in profit or loss.

**Discussion.** In many countries of the world, national systems offer accounting forms. IFRS, on the contrary, does not imply standardisation of reporting forms. The Statement of Financial Position (Balance Sheet) compiled in accordance with IFRS has the form of a vertical or horizontal report, in which the names of items and sections of the balance sheet may differ. Financial assets are included in the list of minimum information that is included in the reporting under IFRS. The level of detailing of the information is determined by the entity and depends on the company itself [17; 18].

IFRS is based on a unified and consistent accounting framework that incorporates generally accepted accounting practices [19]. Authors [20] believe that IFRS helps financial reporting developers worldwide produce and present high-quality, transparent and comparable financial information that facilitates the work of auditors, especially in international companies.

The current business environment in the context of the COVID-19 pandemic is changing business models and business strategies used in the valuation of financial assets. The dependence of equity capital, currency and finished goods on the state of the financial market in the context of shrinking value chains in self-isolation increases significantly. Therefore, financial instruments, including Bitcoin and Treasury bonds, are becoming more secure [21].

Today, non-financial corporations invest heavily in financial assets, so policy uncertainty affects the ownership of financial assets. For example, policy uncertainty negatively affects the non-currency allocation of financial assets of firms, especially for firms with less financial capacity. This result means that besides saving, speculation is the main motive that drives companies to increase their non-currency financial assets. In addition, policy uncertainty has a negative but weaker impact on the ownership of financial assets for companies in industries/regions with intense competition [22].

The next financial instrument that requires further separation into a separate group of financial assets is cryptoassets. These are special financial instruments that must be reflected in accounting and valued accordingly. It is difficult to form general principles of accounting in the absence of a unified taxonomy of crypto assets and due to the large number of their types, which have different characteristics. Consequently, specific cases should be considered to determine the appropriate reflection in financial accounting [21]. Authors [23] also noted that bitcoin can provide financial diversification to business entities and become an important financial instrument, and, therefore, requires solving issues of its accounting and valuation.

In general, the classification of financial assets and their valuation should take into account market trends, in particular the emergence of new financial instruments, the legal regulation of financial assets at the international level. Accordingly, international and national accounting regulations as well as taxation regulations should be revised in line with changes in the financial market [24; 25].

**Conclusions.** Classification and valuation issues are one the most frequently discussed in the theory and practice of accounting. The study identified and analysed some problems of classification and definition of the «fair» value of financial assets, namely:

- inconsistency of the International Financial Reporting Standards in terms of the classification of financial assets with the OECD Transfer Pricing Guidelines;
- the lack of a unified approach for establishing the «fair» value of financial assets for taxation and accounting purposes in the IFRS standard.

The above problems can be partially solved by the development of a modern classification of financial assets with a breakdown of contractual relations between the participants in the creation of a financial instrument. As a result of the study, based on the systematisation of the main types of financial assets, they are grouped in accordance with various classification criteria. A generalized and supplemented scheme for the valuation of financial assets is also presented. The scheme is not complete and can be further corrected, refined and expanded.

At the same time, there is a need to clarify IFRS 9 regarding the definition of the basic principles for the valuation of financial assets (liabilities) in accordance with objectives 4, 8—10 of the BEPS comprehensive framework mechanisms, as well as the determination of the fair value of financial assets and financial liabilities in order to prevent the conflict between the provisions of international standards in terms of determining taxable profit and the national tax legislation.

#### Література

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