CAPITAL OF ENTERPRISE: SHORTCOMINGS OF DEFINITION OF ITS ESSENCE AND REFLECTION OF CIRCULATION

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The article focuses on the different understanding of the category of capital and the reflection of its circulation by scholars. These divergences are not only terminological but also semantic. The relevance of the given article proceeds from the necessity of clarification of their essence. The purpose of the article is determined as an attempt to substantiate author's views on the essence of capital that is the research object. Based on contextual approach as a main research methodology, and also using deductive method, structural-logical and economic-statistical analysis, it is proved that capital is value of fixed and circulating assets, and the disjunction of these categories is mistaken. The studies of the statistical indicators of some Ukrainian enterprises confirm that misunderstanding of the essence of capital, and especially its circulation in the process of economic activity may lead to bankruptcy of enterprises rather than to their development. The research results will contribute both to improving the teaching of economic disciplines through greater clarity of the mentioned categories, and promotion of business development, as it will allow enterprise to clearly understand the role of capital in carrying out the economic activities of enterprises and thereby actively influence the implementation of its circulation.

Key words: fixed and circulating capital, circulation of capital, price, value, amortization, theoretical divergences.

JEL Codes: G18, G28, H12.

1. Introduction

For some readers, my appeal to Marx may appear strange. I am absolutely convinced that for us, who were educated on Marxism-Leninist theory, it is time to release his doctrine from ideological context and to understand its “true” essence with its mistakes and contradictions. The appeal to his economic theory is especially relevant for post-Soviet countries. It provides the basis for understanding and corrections of the market transformations in them. As American scholar M. Postone (1995) points out, the reinterpretation of Marx's theory “implies a fundamental rethinkin of the nature of capitalism and of its possible historical transformation. By shifting the focus of the critique away from an exclusive concern with the market and private property, it provides the basis for a critical theory of post-liberal society as capitalist ..., rather than as social modes that represented the historical negation of capital, in however imperfect a form" (Postone, 1995).
Relevance of the research topics is determined by some terminological divergences, which exist between economists and accountants for a long time. For example, the economists traditionally use the definitions “fixed capital”, “money assets” which for others is a mauvais ton, although there are no special differences in the essence of these categories. With regard to the category of capital, and also the correlation with it the value and the assets price, there are semantic divergences. So, clarification of their essence is a problem that has a certain scientific and practical significance. Despite the fact that the concept of capital is associated with Aristotle's “chrematistics”, and since the scholars had enough time to clarify both the content of this category and the features of its circuit, still there is no clarity in this problem.

Thus, the purpose of the article is the specification of their definition. Its implementation implies such tasks as:

- critical analysis of research literature on the essence of capital and the formulation of the author's definition of this category;
- research of the circulation of capital with the use of economic interpretation of factual statistical indicators of Ukrainian business entities;
- substantiation of the author's conclusions regarding the essence of capital and its circulation.

For this reason this category was chosen as a research object, which in fact is important from practical point of view. And it was its underestimation, primarily in accounting, that caused the misappropriation of enterprises' funds by the so-called red works directors\(^1\) during the voucher privatization of public funds in Ukraine. The research subject is the circulation of capital in the process of economic activity of the enterprise.

My intent to substantiate my own views on the essence of category “capital” is based on contextual approach as a main research methodology. It means the analysis of financial and legal aspects of circulation of capital, which in classical economics were taken out of the brackets, because, to my mind, of the excessive abstractness from the practice of such a process.

The following methods were used for this:

- structural and logical methods are for determination of the essence of the category "capital", "the circulation of capital"; the theoretical generalizations of the research results;
- economic and statistical analysis is for analytic interpretation of factual material that characterizes the dynamics of capital of Ukrainian enterprises;
- deductive comprehension is to identify trends in the circulation of capital and to formulate conclusions of the research results;
- graphical method is for visual reflection of metamorphosis in the process of capital circulation and statistical indicators used for this purpose.

The research results could be used both in teaching economic disciplines, and business development.

\(^{1}\) This term is wide spread in the post-Soviet economy and politics. It is applied to directors of enterprises, who belonged to the Soviet industrial and management elite that took leading positions in the Soviet era and remained on them after the transition of post-Soviet countries to a market economy.
2. Research Results and Discussions

Karl Marx, whose 200th birthday will be celebrated this year, was and is one of the famous thinkers. The study of his heritage and its development today are carried out in different ways. Some modern scholars appeal to this influential economist of 19th century to develop their own theories or reinterpret his main ideas. For example, Immanuel Wallerstein’s world-systems theory is based on Marx's works (Wallerstein, 2004). I would like also to mention David Harvey’s books (Harvey, 2010; 2017a) and online courses consisting of close readings of Marx's Capital, in which his “aim is to get you to read a book by Karl Marx called Capital, Volume 1, and to read it on Marx’s own terms…” (Harvey, 2017b).

Other theorists use his economic theory for analysis of practical functioning of modern companies and the role of assets and capital in them. For example, Chinese scholars examine the influence of strategic choice on working capital configurations Li (2014) and H. Lyngstadas and T. Berg (2016) investigate empirical evidence of whether working capital management has an effect on the profitability of small and medium-sized Norwegian firms (Lyngstadas, 2016) for Polish researchers working capital management is one of the most relevant company’s decisions, as it influences both profitability and liquidity (Wieczorek-Kosmala, 2016).

Despite the fact that studies of the category of capital and the reflection of its circulation were carried out by outstanding classics of economic theory, as well as accounting theory there are many ambiguities and contradictions. Moreover, it is now widely believed that K. Marx, whose theory of capital and value has been dominant in Ukrainian economic theory for a long time, has not been able “throughout his life” to give a “positive solution of this problem”. And thinker “contradicts his own methodology and consideration of value as a category of essence”, as he “in his analysis often equated value as an essential category to the monetary form of value” (Levina, 2008, p. 67), in other words, to price.

Although it should take into account that even before there were opponents to the Marxist explanation of the essence of the category of capital and the reflection of its circulation. Such an ideological Bolshevik as M. Bukharin wrote: “Marx's degree of abstraction in the consideration of many notions was so high, that it was necessary to introduce a set of intermediate logical links in order to draw immediate practical conclusions ...” (Buharin, 2010, p. 49).

But even later, scholars could not formulate a paradigm of capital. For some of them, with whom we include such outstanding theorists as K. Menger (2005), E. Böhm-Bawerk (1891), F. Hayek (2009), L. Mises (1981) and others capital is an asset, value of fixed and circulating funds of the enterprise. While for others it is only, so to speak, a reflection of their price in an abstract "mirror". As Ja. Sokolov points out, sometimes theorists of accounting, for example F. Besta, believed that capital always appears in the asset. And some classics of economic theory J. Schumpeter, D. B. Clark referred the capital to a liability side of the balance-sheet (Sokolov, 2000).
It should be emphasized that among the so-called “pure economists” there is firm belief that value coexists along with capital. It is congruence with the spirit of K. Marx’s doctrine. For example, Academician (Russian Academy of Sciences) V. Mayevskyi notes: “…Coordination on two pairs of processes takes place through the metamorphoses of capital: consumption and restoration of productive capital, on the one hand, the accumulation and expenditure of money capital, on the other. These pairs complement each other: the consumption of productive capital is compensated by the accumulation of money capital, and its expenditure is compensated by the reproduction (reconstruction) of productive capital. Here we can observe something similar to the law of indestructibility of the already available that is created by the labor of past generations of capital” (Mayevskyi, 2010, p. 66). In other words, in the given case capital is value, because according to Marxism it is created by past abstract labor. While taking into account the expression “labor of past generations”, we can say about embodied labor, where concrete and abstract labor is embodied in the same values.

Such an understanding of the synonymity of value and capital derives from the Marxist definition, according to which while productive labor transforms the means of production into the elements of the creation of a new product, a kind of transmigration of the soul is carried out with their value. From the consumed body it moves to the newly created body. But this transmigration of the soul is realized as if behind the back of actual labor (Marx, 1960).

According to V. Mayevsky, a number of scholars (such as O. Böhm-Bawerk, P. Samuelson, J. Steedman and others) expressed “true objections”, because “Marx not only equated the quantity of the price to quantity of value. He also assumed the possibility of an identical dynamics of the price and the value of the means of production in the process of the productive consumption of these means: both the price and the value of the consumed means of production, according to Marx, have the same ability to transfer to a new commodity product and to remain in it” (Mayevskyi, 2010, p. 67).

Moreover, Marx sometimes even uses the definition “capital” investigating the price of fixed assets. He marks that it is necessary a new additional labor in order to reimburse the durable capital, value and use value of which were consumed last year. Without such compensation, to his mind, a reproduction is impossible at all (Marx, 1960). Capital is value; more precisely it is the price of assets, so it is impossible to say about a value of capital. Therefore, K. Marx notion “durable capital” is nothing more than the price of fixed assets.

However, the terminology “value” in economic theory, outside its virtuality, surprisingly has become a fetish, interfering now to understand: for K. Marx it is an ordinary synonym of price. For example, I. Levin, speaking about Marx position, categorically does not accept it: “Although he emphasizes that price is only a transformed form of value, but often equates the quantity of value to the value of this transformed form. From philosophical point of view it is at least incorrectly: Marx contradicts his own methodology and his idea of analyzing value as a category of essence, thus creating the preconditions for the next, purely mathematical calculations that equate the content with the form” (Levina, 2008, p. 127–128).
V. Mayevsky presents the similar position: “In our opinion, such an assumption is incorrect. If the procedure of transference the price of the means of production really exists and is a routine accounting operation for recording the production costs in the price of a commodity product, then a similar procedure, concerning the transference of the value, in our opinion, is physically unacceptable” (Mayevskyi, 2010, p. 67).

But it develops that “the procedure … of transference of value … is physically unacceptable” due to the fact that actually there is … nothing to transfer. As another modern Russian scholar reasonably points out, “In fact, abstract labor does not exist. It is only an instrument of analysis, so it can not join in with the substance of nature. All economic construction, built on the assumption of the existence of abstract labor, is nothing more than a scientific method. The loss of the usefulness by the instruments of labor in the process of functioning and wear can not be a basis for assertion that their value has become part of the yarn cost. The value of the instrument of labor could be conditionally taken into account in the yarn cost, but really it isn't a part of it” (Orlov, 2010, p. 88).

However, a firm intention to defend the absolute of dualism of two categories of value (one of them is created by concrete labor, i.e. using consumption; and other one is created by abstract labor) leads to unsolvable contradictions. It is described by K. Marx as “a mystical transmigration of the soul of old value, old abstract labor into the newly created body of a new product” (Mayevskyi, 2010, p. 68).

According to K. Marx, use value is consumed in the means of production, through the consumption of which labor creates new products. Their value is not really consumed, and therefore can not be reproduced. It is preserved but not because some operation is performed with it in the process of labor, but because the use value, in which it originally existed, although disappears, but disappears only in another use value. So the value of the means of production reappears in the value of the product, but, strictly speaking, is not reproduced. A new use value, in which appears old exchange value, is produced (Marx, 1960). It can be presupposed that such Karl Marx's assertion derives from the disjunction of capital into the category of value, existing supposedly separately from it.

These categories both for K. Marx and V. Mayevsky are only synonyms. V. Mayevsky writes: “Like commodities, the value of consumed fixed capital (means of labor) disappears forever with the disappearance of its use value. ... amortization allocation is only a means of refund spent by an investor to purchase fixed capital, or they can be perceived as the cost on reproduction of the fixed capital in kind ...” (Mayevskyi, 2010, p. 69; 71). It proves as the first part of his assertion (where we can observe the proximity of the definitions of fixed capital / means of labor), and the second one (“fixed capital in kind”) that it is nothing more than the price of fixed assets.

And it is confirmed by a simple example, when two shareholders during the creation of an enterprise contributed their shares, but in different natural-material form: the first shareholder – in the fixed funds purchased for 14 million UAH; the second one – in money in the amount of 0.5$ million. Finally, it may be that the capi-
tal of the first and second shareholder is the same, because the price of dollars is \((500000 \times 28.00) = 14\) million UAH. Simultaneously, the balance sheet will have the same amount, i.e., 28 million UAH as assets (fixed and circulating funds), and liabilities (owned capital of the enterprise).

It is here that the paradox lies, which caused the main divergences between economists and accountants, as it can be seen from the given table (Table 1).

**Table 1. Opening Balance Sheet of Joint-Stock Company (thousands UAH)**

<table>
<thead>
<tr>
<th>Asset</th>
<th>At the beginning of the reporting period</th>
<th>Liabilities</th>
<th>At the beginning of the reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Noncurrent assets</td>
<td>14000</td>
<td>I. Capital</td>
<td>28000</td>
</tr>
<tr>
<td>II. Current assets</td>
<td>14000</td>
<td>II. Long term duties</td>
<td>–</td>
</tr>
<tr>
<td>III. Noncurrent assets and disposal groups</td>
<td>–</td>
<td>III. Current liabilities</td>
<td>–</td>
</tr>
<tr>
<td>Balance</td>
<td>28000</td>
<td>Balance</td>
<td>28000</td>
</tr>
</tbody>
</table>

In other words, the above mentioned example with two shareholders in the balance sheet looks like the value really introduced by them in the form of noncurrent assets (buildings, machinery, equipment) and current assets (money), and also simultaneously in the form of an intangible value, by which capital is usually meant. In any case, both the left and the right side of the balance sheet, which is only a reflection of the first, look like the real objects from the financial and legal standpoints, despite the known virtuality of the second.

However, it should be noted that a substitution of concepts in Ukrainian accounting has occurred under the influence of “double-entry hypnosis” (the expression of Ya. Sokolov). Consequently, this “mirror image” of assets led to the virtuality of both categories, as it became possible to register the capital of a joint-stock company, so to say, in the reverse order: instead of real introduction of assets, it is enough only to declare it, having undertaken the corresponding obligation.

In other words, being, in fact, only a debtor, an individual nevertheless becomes a fully legitimate shareholder of the enterprise, although it is obvious: creation of such an economic unit without transference of the assets as contributions cannot be considered. However, “double-entry hypnosis”, like a situation when a cart is placed in front of a horse, determined the sacred procedures. Instead of having a legitimate legal right to a part of the value of the enterprise as a result of the actual introduction of assets – namely, it is evidenced by capital – the later generates from virtually nothing as a result of the repayment on shareholders’ contributions as a pseudo-asset. Consequently, in this case really a virtual source appears in the liability side of balance-sheet instead of real capital (Fig.).

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2 Practice testifies that such an obligation is not always fulfilled, and sometimes this method is used for various illegal tricks with the use of so-called shell companies.
The debt of shareholders on contributions to the authorized capital

Illusory generation of capital

Repayment of shareholders debt and capitalization of real assets (means and subjects of labor, money, and other.)

Actual generation of authorized capital

Fig. The sequence of reflection of the generation of the authorized capital of the joint-stock company

And even if this debt is repaid, the capital does not change. So it is in time to talk about so-called “mystical transmigration of the soul” of virtual capital into a real financial and legal category.

As a result, cases are observed in practice, when the capital of enterprises quite often does not correspond to the availability of at least non-negotiable assets. But in generally, it acquires a negative algebraic meaning, while registered capital appears with a positive sign (Table 2).

Table 2. Contradiction of the correspondence of capital3 (thousands of UAH)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Private joint stock company “Good Water”</th>
<th>Private leasing company “Ivanivs’ke”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity capital, including registered capital</td>
<td>-67318</td>
<td>+164874</td>
</tr>
<tr>
<td>Residual value of fixed assets</td>
<td>51662</td>
<td>45715</td>
</tr>
<tr>
<td>Value of circulating assets</td>
<td>4690</td>
<td>122904</td>
</tr>
</tbody>
</table>

In particular, the economic and statistical analysis of the factual information given in Table 2 allows making such a conclusion. Because even if we neglect the fact that, in general, the equity capital of Private joint stock company “Good Water” is just such a category, just over half of the residual value of fixed assets is covered using registered capital (27804 : 51662 = 53.8%).

But it can not be considered unconditionally as the source of the formation of only these funds, because, to a certain extent, current assets are also being formed using registered capital. It can be convincingly illustrated with the help of the indicators of Private leasing company “Ivanivs’ke”, where the equity capital is positive figure, as opposed to the case with the first enterprise. And now, the share of equity

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capital of Private leasing company “Ivaniivs’ke” in fixed assets is only 27.1%, and the rest amount (UAH 119725 thousand), or 72.9%, is embodied in current assets.

At the same time, it should be noted that the registered capital of these enterprises is equally positive figure, despite its absence of fact in the first case and the real presence in the second one. Moreover, these figures appear in them as static ones. Taking into account the every minute circulation of capital, it looks like a nonsense contradicting economic theory, but getting along well with accounting practice for years. At least, my studies of the statistical indicators of other Ukrainian enterprises confirm this conclusion (Table 3).

Table 3. The share of capital in fixed and circulating assets of Ukrainian enterprises in 2010–2016

<table>
<thead>
<tr>
<th>Years/Indicators</th>
<th>Fixed assets</th>
<th>Current assets</th>
<th>Total assets</th>
<th>Equity capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Share</td>
<td>Amount</td>
<td>Share</td>
</tr>
<tr>
<td>2010</td>
<td>1842664</td>
<td>4005268</td>
<td>1433320</td>
<td>36</td>
</tr>
<tr>
<td>2011</td>
<td>2050960</td>
<td>4635122</td>
<td>1586285</td>
<td>36</td>
</tr>
<tr>
<td>2012</td>
<td>2456015</td>
<td>5417102</td>
<td>1904940</td>
<td>35</td>
</tr>
<tr>
<td>2013</td>
<td>2639813</td>
<td>5708855</td>
<td>1950375</td>
<td>34</td>
</tr>
<tr>
<td>2014</td>
<td>2717620</td>
<td>5989574</td>
<td>1480658</td>
<td>25</td>
</tr>
<tr>
<td>2015</td>
<td>3960149</td>
<td>8068757</td>
<td>2288741</td>
<td>26</td>
</tr>
<tr>
<td>2016</td>
<td>4308987</td>
<td>10112793</td>
<td>2560461</td>
<td>25</td>
</tr>
</tbody>
</table>

So, in general, during this period apart from the known stochasticity of the share of capital in the fixed and circulating assets of enterprises in Ukraine there is a tendency for it to decrease. To a large extent is determined, to my mind, by the divergences between scholars in interpreting the essence of capital, and especially its circulation in the process of economic activity.

As a result, in practical terms the enterprise managers do not have a clear idea of the interrelation of these indicators and concentrate their attention on more understandable categories: the dynamics of fixed and current assets, without understanding of the role of capital in their formation, which leads to bankruptcy of enterprises rather than to their development.

Ultimately, by the end of 2016 the share of capital in fixed and circulating assets at Ukrainian enterprises is almost two times lower than the critical limit established by the audit standards in the form of a minimum coefficient of financial autonomy at 0.5 or 50%, which is considered safe for the enterprise.

However, the divergences between economists and accountants regarding the circulation of capital are not limited to this topic. They continue already with reference to depreciation. In particular, in economics the leading position belong to assertion, according to which the value of the means of labor is transferred to the newly created product in the production process. It supposedly proceeds from Marxist economics. To Marx mind, the labor of a spinner in its abstract general property, as the expenditure of human labor, adds to the value of cotton and spindles new value. In its concrete, special, useful property, as a process of spinning, a spinner transfers the

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4 Statystychni shhorichnyky Ukrayiny za 2010-2016 roky: S. 60-61; 486-487.
5 Total – mil. of UAH, share – %.
value of these means of production to the product and thus saves their value in the product (Marx, 1960).

In this connection V. Mayevsky writes: “However, the concept of indestructibility of value of the consumed means of production loses its correctness with regard to the determination of value as the amount of frozen labor time, when Marx extends it to the means of labor. The value of consumed fixed capital, in his opinion, is able to remove in time. It transfers to the products that are created with the help of this fixed capital. We disagree with this position of Marx: only information on the price of this capital, but not the value of the consumed fixed capital (non-labor time) transfers to the product. An accountant transfers this information” (Mayevskyi, 2010, p. 68).

A. Orlov has the same point of view, underlining that the value of the instrument of labor could be conditionally taken into account in the cost of commodity, but really it isn't a part of it (Orlov, 2010).

It has long been believed in the theory of accounting, that depreciation is a special technique, which ensures a constant indestructibility of fixed capital at the same level. Such understanding was dominant in the eighteenth century in England, although there was a second approach, according to which it was recognized as a direct loss of real immovable (Sokolov, 1996).

To tell the truth, the current practice of its reflection is based, supposedly, on the impossible fact – an eclectic combination of these two mutually exclusive approaches. But the main problem is that it will not become the means of “constant indestructibility of fixed capital at the same level”, even if two separate synthetic accounts will be created. One is for record keeping of depreciation of the fixed assets in accordance with the second approach. Because it is already clear that, in fact, it was talking about the depreciation of immovable (it necessary to say that at that time such category was not used, despite the description of the procedure for its definition even in the times of Ancient Rome. So it was used the same designation – "amortization"). And the second account is for record keeping of amortization.

The fact is that the fixed and circulating capital, permanently available as part of the total mass of capital of any business unit, were never allocated in the accounting system, even if the depreciation and amortization of fixed assets recording separately. Such inseparability of these components of capital in the context of the constant diffusion of the first into the second, when the fixed assets are put into operation – in the opposite direction, of course, does not allow ensuring “constant indestructibility of fixed capital at the same level”. Therefore, it is not surprising that in practice we have a chronically obsolete material and technical base. Because it is impossible to stop the process of diffusion of fixed capital into a circulating capital, while the reverse movement depends entirely on the will of managers.

6 In the 70 years of the 20th century the circulating capital was determined by calculation on the basis of the section "Circulating Assets" of the balance of the enterprise. Such a procedure led to gross mistakes, as the main equation of I.Sher was ignored, because the part of the accounts payable for unpaid assets for suppliers were actually added to them.
As the process of such diffusion is hidden from direct contemplation, and in accounting it is also veiled by the erroneous method of reflection of the statutory (unitary) capital on the accounts as a constant amount due to the motive of the concept of its destructibility at an unchanged level (supposedly it can be ensured by accounting procedures!), then it appears that instead of constantly monitoring the qualitative structural changes in the total mass of capital, there is complete lack of control over this process. And the managers’ decisions to send funds for capital investments (it is a case of replenishment of fixed capital) are spontaneous, dictated usually by technological factors rather than economic ones. Although in general, the latter should be stimulating in reference to the former.

However, the managers have never such association between them, because the cycle of fixed and circulating capital does not produce any tangible perceptions. It would not have happened if we paid attention to the proposal of A. Rudanovsky, who wrote in 1924: “Unusable equipment items can be written off the asset for a special account of the equipment, which to be restored before they are replaced by new ones due to the amortization fund (any decrease in the initial valuation due to the wear and tear of items should be marked (sic!) by the division of fixed capital in the liability side) – into the account of fixed capital and the account of depreciation of fixed capital, if the restoration of the previous state and the composition of the objects of any equipment can not take place for lack of funds. The account of depreciation of fixed capital is the contra-asset account of the real immovable, whereas the account of the property to be restored is the contra-liability account of the amortization fund” (Sokolov, 1996).

In economics, this “initial valuation” is called “value”, which explains the above mentioned insoluble contradictions. They are based on simultaneous using such assertions: “The value ... of the consumed capital ... dies together with the death of the physical body of this capital”, and supposedly “the value and the price of the means of production behave differently in the process of the productive consumption of these funds”. So the value of the consumed fixed capital does not transfer on the products created in the process of this consumption, as “the depreciation is a such money veil (the shape) of the old labor time, which leaves its “master” – consumed fixed capital – and converts into money veil of a new labor time” (Mayevskyi, 2010, p. 68–71). The same contradictions we can find in the current regulatory acts on accounting regulation, which manifest itself as tautological definitions: “Depreciation is the systematic distribution of the depreciable value of noncurrent assets over their useful life (operating)”, duplicating, but already as another definition: “Depreciation of fixed assets is an depreciation amount of object of fixed assets from the beginning of its useful life” (Polozhenie (standard) buxhalters“koho, 2000, p. 4). Although we are speaking about the usual recording procedure by means of which a “simple accountant operates after the standard scheme: he includes depreciation charges in the price of a new commodity product” (Mayevskyi, 2010, p. 68).

In deed, the categories “initial valuation”, “value”, and “capital” in terms of their economic content have the same meaning as the price of assets that actually exist. Therefore, the first part of V. Mayevsky’s assertion (“The value ... of the consumed capital ... dies together with the death of the physical body of this capital”) is contrary to its second part. Because, for example, when an object is completely worn out, it do-
es have neither price nor value. Just like, by the way, it can not figure as capital, because the latter is only a reflection of this value. Therefore, in accounting, it was pointed out from the earliest times in the liability side of balance sheet, regardless of the fact that the “fund” was written for a long period instead of the definition of “capital”. And given the latter, let us summarize: whether the mixing of the value of labor objects with capital is a consequence of the already mentioned terminological divergences, when instead of the term “fixed assets” a similar “fixed capital” is used.

3. Conclusions

1. The circulation of capital is invisible process, although it occurs every minute. Therefore, we must rely not only on its visual and tactile touch, but on deductive comprehension of this category, which has led to a fuzzy understanding of such a process as the "mystical transmigration of the soul of old value, old abstract labor into the newly created body of a new product". However, as soon as the means of production are written off, the objectivity of the capital existence immediately manifests itself, which however is treated by economic theory like an alchemical phlogiston co-existing in the means of production along with their physical substance. On the whole, the divergences between the scientists derive from the different approaches to interpretation of the category of capital. Instead of its investigation as financial and legal category, it is viewed in terms of the economics, believing that it has value. And, thus, it is created an insoluble problem of the impossibility of its separation secession from assets, the value (more precisely – price) of which capital represents.

2. The contextual approach used in the article, firstly, permits me to analyze the financial and legal aspects of circulation of capital, which in classical economics were taken out of the brackets. Secondly, I believe that my arguments contribute to understanding of capital as value of fixed and circulating assets, and the value is nothing more than a synonym for the more familiar terminology – the price of the means of production. I consider that the means of labor and the fixed capital are not identical concepts, but rather antipodes. In terms of the essence, the means of labor is a typical economic category, while a capital is an abstract financial and legal category, similar to accounts payable. There is no necessity to say about the “use value” of capital, as it does not have natural and physical characteristics. Thirdly, thanks to proposed approach, to my mind, it is possible to reduce the existing theoretical divergences in understanding of the category “capital” and the reflection of its circulation.

3. My studies of the statistical indicators of other Ukrainian enterprises confirm that capital as value of fixed and circulating assets and misunderstanding of the essence of capital, and especially its circulation in the process of economic activity may lead to bankruptcy of enterprises rather than to their development. Because the enterprise managers concentrate their attention on more understandable categories: the dynamics of fixed and current assets, without understanding of the role of capital in their formation.
4. The research results will contribute both to improving the teaching of economic disciplines through greater clarity of the mentioned categories, and to promote business development, as it will allow enterprise managers to clearly represent the role of capital in carrying out the economic activities of enterprises and thereby actively influence the implementation of its circulation.

However, I do not intend to consider my views expressed here as indisputable. So further studies, other points of view on the problem under consideration seem to be of a great potential.

References


**IMONĖS KAPITALAS: JO ESMĖS APIBRĖŽIMO IR APYVARTOS SAMPRATOS YPATUMAI**

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