

Challenges for Accounting and Analysis of Depreciation and Amortisation During the Period of Martial Law in Ukraine

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Abstract. The article addresses the challenges of accounting and analytical assessment of depreciation and amortisation of fixed assets under the conditions of martial law in Ukraine. The relevance of the topic is determined by the fact that wartime circumstances radically transform the established approaches to the recognition, evaluation and management of fixed assets, exposing enterprises to unprecedented risks of damage, destruction, conservation or loss of control over property. The aim of the research is to identify, systematise and conceptualise the key challenges to depreciation policy and analytical procedures to develop approaches that can enhance the economic security and resilience of enterprises in an unstable environment. The methodological basis of the study is a combination of dialectical and comparative analysis, logical generalisation, abstraction, and statistical and analytical methods that allow the detection of cause-and-effect relationships between wartime risks and the transformation of accounting practice. Elements of digital analytics, including business intelligence technologies and remote monitoring, are also applied to expand the methodological framework and to adapt the research to contemporary realities. The results of the study reveal the multidimensional nature of depreciation policy during martial law: the need for systematic revision of useful lives and amortisation methods, the development of internal mechanisms for documenting losses and impairment, and the harmonisation of accounting and tax treatments of conservation and relocation expenses. It is emphasised that depreciation is no longer merely a technical accounting tool, but has become a strategic financial mechanism, ensuring the formation of internal reserves, transparency of reporting and accumulation of resources for the restoration of productive capacity. In addition, the findings highlight the necessity of integrating risk management practices and ESG-oriented approaches into post-war depreciation policies, which will allow enterprises not only to recover their production infrastructure but also to modernise it in accordance with European standards of sustainability and efficiency. The practical value of the article lies in its potential application by accountants, financial managers and policymakers who face the need to adjust amortisation policies under extreme uncertainty. The results can be used to improve internal financial strategies of enterprises, to design regulatory guidelines for accounting during crisis conditions, and to provide a methodological basis for post-war reconstruction policies in Ukraine.

Keywords: depreciation, amortisation policy, fixed assets, martial law, economic security, post-war recovery, ESG.

JEL Classification: G32, M41, Q56

1 Introduction

Under the conditions of martial law in Ukraine, the system of accounting faces unprecedented challenges caused by large-scale destruction of

production and social infrastructure, loss of control over assets located in the temporarily occupied territories, forced business relocation, and a general decline in investment activity. One of the most

problematic areas is the organisation of accounting and the analysis of depreciation and amortisation of fixed assets, since these indicators directly reflect the capacity for the restoration of production potential and influence the financial results of enterprises. Traditional methods of calculating amortisation, based on the expected useful life of assets, lose their relevance in the present circumstances. The reality of war risks involves the possibility of physical destruction or significant damage to fixed assets, their prolonged downtime or conservation, which necessitates adjustments to amortisation policy. An additional problem is the complication of inventory procedures and documentary confirmation of asset losses, which creates risks of financial reporting distortion and makes an objective analysis of asset utilisation impossible. At the same time, the issue of amortisation goes beyond a purely accounting dimension and becomes an important factor of enterprises' economic security. Insufficient amortisation charges prevent the formation of a recovery fund, which is particularly critical when a significant part of fixed assets requires repair or full restoration. This determines the need to develop new approaches to accounting and analytical support for the management of fixed assets, considering war-related risks and the prospects of post-war reconstruction.

The purpose of the study is to identify and systematise the key challenges for the organisation of accounting and analytical support in managing depreciation and amortisation of fixed assets during martial law in Ukraine, as well as to determine the directions of transformation of amortisation policy under conditions of uncertainty and heightened risks.

To achieve this aim, the following research objectives are defined:

- To reveal the features of amortisation policy transformation under the influence of war risks, regarding the revision of useful lives, methods of amortisation and accounting for assets located in combat zones or subject to relocation;

- to identify analytical challenges in assessing actual depreciation and the fair value of fixed assets under conditions of limited access to information and complicated inventory procedures, as well as to explore the possibilities of applying digital control tools;

- to substantiate the role of amortisation as a financial instrument for the restoration of production potential and the strengthening of economic security of enterprises, considering the prospects of post-war reconstruction and the implementation of ESG approaches.

The methodological framework of the study consists of general scientific and special

methods of cognition: the dialectical method of analysis – to reveal the interrelationship between war risks and changes in amortisation policy; logical generalisation and abstraction – to systematise problems and form conceptual approaches; comparative analysis – to contrast national and international practices; as well as elements of digital analytics (BI technologies, remote monitoring), which open up new opportunities for research under the specific conditions of martial law.

Thus, the study of challenges for accounting and the analysis of depreciation and amortisation during the period of martial law is relevant both from a theoretical and a practical perspective, since it contributes to the development of solutions to ensure transparency of financial information, increase investor confidence, and shape a strategy for the sustainable recovery of Ukraine's economy.

2 Transformation of Amortisation Policy under the Impact of War Risks

Martial law in Ukraine has fundamentally altered the conditions of enterprise functioning, directly affecting approaches to the accounting and amortisation of fixed assets. Whereas in peacetime amortisation policy was based on predictable useful lives, the stability of production processes and a relative foreseeability of economic risks, enterprises are now faced with the necessity to revise methods of amortisation, account for assets located in combat zones, and address the challenges of conservation or relocation of fixed assets (Dovhaliuk, 2010; Kraievskyi, 2024).

The system of fixed asset accounting in Ukraine is regulated by NR(S)AU 7 "*Fixed Assets*", NR(S)AU 28 "*Impairment of Assets*" and the Tax Code of Ukraine, which determine the methods of amortisation, the procedure for revising useful lives and the rules of tax accounting of amortisation charges (National regulation (standard) of accounting 7, 2024; Bondar, 2013). At the same time, enterprises preparing financial statements under international standards are guided by IAS 16 "*Property, Plant and Equipment*" and IAS 36 "*Impairment of Assets*". All these regulations were designed for relatively stable economic conditions, and therefore their practical implementation under martial law requires significant clarification.

A primary challenge is the uncertainty of useful lives of assets. NR(S)AU 7 explicitly requires enterprises to revise the useful life of fixed assets in cases of changed expectations of future economic benefits, a requirement also enshrined in IAS 16. In peacetime, such revisions were mostly undertaken

during modernisation or reconstruction, but the war has triggered the need for large-scale adjustments, as the risk of physical destruction or damage to assets at any moment significantly reduces their actual operating lives. This has led to the application of accelerated amortisation methods, permitted by both NR(S)AU 7 and the Tax Code (Art. 138.3), which traditionally were used only for tax optimisation purposes. At present, accelerated amortisation becomes part of the strategy of economic security, as it allows the quicker accumulation of amortisation resources for the restoration of production capacity (Myskin et al., 2024; Kraievskiy & Myskin, 2024).

Particularly complex is the issue of accounting for assets in occupied territories or active combat zones. According to NR(S)AU 28 and IAS 36, enterprises are obliged to recognise impairment whenever there are signs of reduced usefulness. However, under current conditions there is often no possibility to conduct inventories or expert valuations of asset condition. The Tax Code (Art. 146.2) requires documentary confirmation of the liquidation of fixed assets, which is practically impossible when access to the asset is lost. The Ministry of Finance of Ukraine, in letters issued in 2022–2023 (e.g. № 41010-06-5/11178 of 28.06.2022), recommended that enterprises rely on internal administrative documents – acts, orders and certificates – to confirm loss of control over property, which in fact establishes a new accounting practice. At the same time, such documents are only a compromise solution and are not always recognised by controlling authorities during inspections.

The issue of conservation and relocation of fixed assets remains equally debatable. In accordance with NR(S)AU 7, amortisation may be suspended during the conservation period, since the asset is formally not used in production. Nevertheless, actual physical deterioration, lack of technical maintenance and even loss of functional characteristics are not reflected in reporting, which distorts the true financial picture. In the case of relocation, questions arise regarding the recognition of costs for dismantling, transportation and reinstallation of equipment. According to IAS 16, such costs may be capitalised as part of the initial value of the asset, if they are directly attributable to bringing it into working condition. Conversely, the Tax Code treats part of these costs as current expenses, which creates discrepancies between accounting and tax reporting.

Thus, the transformation of amortisation policy under the impact of war risks has a multidimensional character:

- Firstly, it necessitates systematic revision of useful lives and amortisation methods in accordance with NR(S)AU 7 and IAS 16;

- secondly, it compels enterprises to develop internal mechanisms for confirming losses and impairments of assets based on the recommendations of the Ministry of Finance;

- thirdly, it raises the issue of reconciling accounting and tax approaches to relocation and conservation costs.

Therefore, amortisation policy in the present circumstances is not merely an instrument for recording the depreciation of fixed assets, but also a tool of financial strategy and a component of safeguarding the economic security of the enterprise.

3 Analytical Challenges in Assessing Depreciation and the Fair Value of Fixed Assets

The analytical assessment of depreciation and the determination of the fair value of fixed assets during the period of martial law in Ukraine encounters a set of difficulties that extend far beyond traditional accounting procedures. Whilst under peacetime conditions such analysis could be carried out using depreciation ratios, the relationship between residual and initial cost, and the comparison of actual and planned amortisation charges, enterprises are now compelled to consider the risks of physical destruction of assets, their partial or complete loss, and even the legal impossibility of confirming damage (Vovk & Dolhopolova, 2019).

The first problem is the limited reliability of information. According to NR(S)AU 7 “Fixed Assets” and IAS 16 “Property, Plant and Equipment”, enterprises are required to provide a reliable assessment of the condition of assets and to review their useful lives if circumstances change. However, in many regions of Ukraine inventories or expert valuations cannot be carried out for safety reasons. This leads to situations where the balance sheet formally reports the presence of an object, whilst it may be destroyed or captured. Consequently, depreciation ratios and residual values lose their objectivity, making proper financial analysis impossible (Myskin et al., 2024).

A second significant challenge is the risk of distorted financial reporting due to divergent approaches to recognising impairment. NR(S)AU 28 “Impairment of Assets” and IAS 36 “Impairment of Assets” establish criteria for recognising impairment losses, yet they require documentary confirmation and calculations of fair value or recoverable amount. Under martial law,

independent valuations or access to market data are often unattainable. The Tax Code of Ukraine (Art. 138.1) requires confirmation of the liquidation of fixed assets to recognise such losses, but the destruction of assets in combat zones rarely leaves appropriate primary documentation. This creates a dual burden for enterprises: in accounting they are obliged to recognise impairment, whilst in tax accounting such recognition is not permitted without formal evidence (Kravchenko & Selezniova, 2022).

Another essential challenge is the need for new methods of assessing the fair value of assets. Classical approaches to determining residual value (initial cost minus accumulated amortisation) do not reflect the real condition of assets damaged by hostilities. In this context, the role of expert valuation and alternative tools increases, including:

- remote monitoring using geoinformation technologies, satellite imagery and drones to confirm whether assets are preserved or destroyed;
- digital analytics (BI systems), which make it possible to model loss scenarios depending on the intensity of combat operations in the region;
- expert reports by international organisations (e.g. KSE Institute, World Bank), which may serve as supplementary data sources in determining the scale of destruction.

Further complexity arises in the analysis of efficiency of fixed asset utilisation. Classical indicators such as capital productivity, depreciation ratio, renewal and disposal rates lose statistical validity, as the loss of assets through war is not the result of managerial decisions. Analysts are thus forced to adapt the system of indicators by distinguishing the impact of the “war factor” from managerial outcomes. This requires new methodological approaches, including the introduction of corrective coefficients or the classification of assets into categories such as “assets in use”, “assets in conservation” and “assets with uncertain status” (Kravchenko & Selezniova, 2022; Dovhaliuk, 2010).

Therefore, the analytical challenges in the field of depreciation and fair value assessment of fixed assets under martial law encompass several levels: informational (lack of reliable data), methodological (inadequacy of classical methods under wartime realities), regulatory (conflicts between accounting and tax approaches), and technological (the need for new digital tools). Addressing these challenges is a key prerequisite not only for producing reliable financial reporting, but also for the strategic planning of post-war recovery of enterprises’ production potential.

4 Amortisation as an Instrument for Restoring Productive Capacity and Economic Security

Amortisation policy during martial law ceases to be merely an accounting procedure of gradually writing off the value of fixed assets. It is transformed into a strategic financial instrument that determines the ability of enterprises not only to maintain liquidity and the reliability of reporting, but also to form a resource base for restoring productive capacity after the cessation of hostilities. In this context, amortisation acts as an element of economic security, since the volumes and pace of amortisation charges directly determine the financial resilience of an enterprise.

According to NR(S)AU 7 “Fixed Assets” and IAS 16 “Property, Plant and Equipment”, amortisation charges should reflect the systematic allocation of an asset’s value over its useful life. However, under wartime conditions, this useful life is subject to dramatic changes: on the one hand, assets may be destroyed or damaged before their expected term, whilst on the other hand, part of the equipment is conserved and in fact preserved longer without active use. This compels enterprises to develop new models of amortisation that combine accounting accuracy with financial and strategic objectives.

Amortisation charges become the primary source of financing recovery funds. In circumstances where access to external borrowing is limited and investment activity is declining, it is precisely internal amortisation resources that enable repairs, modernisation or partial replacement of equipment. This also accords with the provisions of the Tax Code of Ukraine, which in Article 138 establishes the rules for forming tax amortisation and allows accelerated write-offs for certain groups of assets. Thus, amortisation policy becomes a means of financial mobilisation in times of crisis.

Equally important is the role of amortisation in ensuring transparency of financial reporting. During martial law, investors, creditors and international donors demand the maximum openness and reliability of Ukrainian enterprises in reflecting financial results. Distortion of amortisation charges or manipulation of useful lives undermines trust and may make the attraction of additional funding impossible. At the same time, an appropriate amortisation policy provides the basis for integration into international reporting systems, which is particularly relevant in the context of European integration processes and the implementation of the EU Corporate Sustainability Reporting Directive (CSRD).

Amortisation acquires particular significance in the context of economic security of enterprises. Stable amortisation charges allow the creation of

internal reserves that reduce dependence on external sources of financing. This is critically important in wartime, when credit resources become more expensive and foreign investors are inclined to minimise risks. Thus, amortisation acts as a financial buffer that helps enterprises withstand shocks associated with losses or reductions in productive capacity.

In the perspective of post-war reconstruction, amortisation policy should integrate ESG approaches. The replacement or modernisation of destroyed fixed assets provides an opportunity to implement more energy-efficient technologies, reduce emissions, and introduce the principle of “green amortisation”, which is used in EU countries to encourage sustainable development. For Ukraine, this is a chance not only to restore production infrastructure, but also to modernise it in line with European standards.

Hence, amortisation during martial law and post-war recovery ceases to be a secondary accounting tool. It is transformed into a multidimensional mechanism that simultaneously ensures:

- financial reproduction of fixed assets;
- the formation of reserves for restoring productive capacity;
- transparency and reliability of financial reporting;
- risk reduction and enhancement of economic security;
- the possibility of integrating ESG approaches into business models.

Therefore, amortisation policy in conditions of war and reconstruction becomes one of the central elements of enterprises’ financial strategy and a factor of resilience of the national economy.

5 Conclusions

Summarising the results of the study, it should be emphasised that martial law in Ukraine has led to a significant transformation of approaches to accounting, amortisation, and the analytical evaluation of fixed assets, posing new challenges both to accounting practice and to the financial management system. The traditional provisions of NR(S)AU 7 “Fixed Assets”, NR(S)AU 28 “Impairment of Assets”, the Tax Code of Ukraine, and the international standards IAS 16 and IAS 36 have proven insufficient for fully reflecting the realities of a wartime economy, in which assets may be damaged, destroyed, lost in occupied territories, or conserved due to forced downtime. Enterprises face problems of reliable inventory, documentary confirmation of losses, and discrepancies between accounting and tax approaches to the recognition of amortisation expenses. At the same time, amortisation policy under present conditions acquires strategic significance: it becomes not only a mechanism for recording depreciation but also an instrument for forming internal financial reserves for the restoration of productive capacity, a factor of economic security, and a guarantee of trust for investors and creditors. In the perspective of post-war reconstruction, amortisation policy should integrate modern risk management approaches and ESG principles, which will ensure not merely recovery but qualitative modernisation of the national production infrastructure, contributing to enhanced business resilience and the sustainable development of Ukraine’s economy.

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