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Recognition of financial instruments in accounting: harmonising Ukrainian practice with IFRS requirements

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Abstract: The purpose of the study is to conduct an in-depth comparative analysis of the methodology for the recognition and classification of financial instruments within international and national accounting systems, as well as to develop a practice-oriented algorithm for harmonising the domestic methodology with the requirements of International Financial Reporting Standards. The relevance of the topic is driven by the growing complexity of financial markets, the expansion of derivative instruments, the development of hybrid contractual structures, and the increasing requirements for the quality of financial reporting in the context of the integration of the national accounting system into the international financial environment.

The methodological foundation of the study is based on the methods of comparative analysis, theoretical generalisation, systematisation, structural-logical modelling, and the normative-interpretative approach. The study includes an analysis of the provisions of IFRS 9 Financial Instruments, IAS 32 Financial Instruments: Presentation, IFRS 7 Financial Instruments: Disclosures, IFRS 13 Fair Value Measurement, and National Accounting Standard (NAS) 13 Financial Instruments.

The results of the study demonstrate that international and national standards are conceptually aligned in their definition of financial instruments, yet differ substantially in their approaches to classification, recognition, and the broader accounting methodology. Unlike the domestic model, the international framework is based on a principle-oriented approach that combines the assessment of the business model for managing financial assets with the analysis of contractual cash flow characteristics through the SPPI criterion (Solely Payments of Principal and Interest). The national system, in contrast, applies a classification model grounded in the legal and economic nature of financial instruments. The scientific novelty of the study lies in the development of an IFRS-oriented algorithm for the recognition and classification of financial instruments for national practice, which does not contradict the existing regulatory framework, but supplements it with analytical procedures aimed at enhancing professional judgement, improving the identification of complex financial instruments, and ensuring methodological convergence with international standards.

Conclusions. The proposed algorithm makes it possible to consider the recognition of financial instruments not as an isolated technical procedure, but as a consistent methodological process encompassing contract identification, verification of compliance with the definition of a financial instrument, initial recognition, classification, analysis of economic substance, selection of the appropriate measurement approach, risk assessment, and disclosure in financial reporting. Its practical significance lies in the possibility of its application as an internal instrument of accounting policy for enterprises. This approach facilitates a gradual transition from a formalised accounting model for financial instruments toward a more analytically substantiated methodology focused on the economic substance of contractual rights and obligations. Further research should be directed toward the refinement of valuation methodologies for complex and hybrid financial instruments, the adaptation of the SPPI criterion for financial reporting transformation purposes, and the development of practical recommendations for the disclosure of risks associated with financial instruments.

Keywords: financial instruments; recognition of financial instruments; classification of financial instruments; IFRS 9; NAS 13; harmonisation of accounting methodology.

Визнання фінансових інструментів в обліку: гармонізація української методології з вимогами МСФЗ

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Анотація: Метою дослідження є поглиблений порівняльний аналіз методології визнання та класифікації фінансових інструментів у міжнародній і національній системах бухгалтерського обліку, а також розробка практико-орієнтованого алгоритму гармонізації вітчизняної методології з вимогами міжнародних стандартів фінансової звітності. Актуальність теми зумовлена зростаючою складністю фінансових ринків, поширенням похідних інструментів, розвитком гібридних контрактних конструкцій та підвищенням вимог до якості фінансової звітності в умовах інтеграції національної облікової системи у міжнародний фінансовий простір.

Методологічною основою дослідження Методологічною основою дослідження стали методи порівняльного аналізу, теоретичного узагальнення, систематизації, структурно-логічного моделювання та нормативно-інтерпретаційного підходу. У процесі дослідження здійснено аналіз положень МСФЗ 9 «Фінансові інструменти», МСБО 32 «Фінансові інструменти: подання», МСФЗ 7 «Фінансові інструменти: розкриття інформації», МСФЗ 13 «Оцінка справедливої вартості» та НП(С)БО 13 «Фінансові інструменти».

У **результаті** дослідження встановлено, що міжнародні та національні стандарти концептуально узгоджені у визначенні фінансових інструментів, однак суттєво відрізняються за підходами до класифікації, визнання та подальшої методології обліку. На відміну від вітчизняної, міжнародна модель базується на принципово орієнтованому підході, який поєднує оцінку бізнес-моделі управління фінансовими активами та аналіз характеристик договірних грошових потоків через SPPI-критерій (Оплата лише основної суми та відсотків). Національна ж система застосовує класифікацію за правовою та економічною природою інструментів. Науковою новизною дослідження є розробка МСФЗ-орієнтованого алгоритму визнання та класифікації фінансових інструментів для національної практики, який не суперечить чинному нормативному регулюванню, але доповнює його аналітичними процедурами, спрямованими на підвищення якості професійного судження, ідентифікацію складних фінансових інструментів та забезпечення методологічного зближення з міжнародними стандартами.

Висновки. Запропонований алгоритм дає змогу розглядати визнання фінансових інструментів не як ізольовану технічну процедуру, а як послідовний методологічний процес, що охоплює ідентифікацію договору, перевірку відповідності ознакам фінансового інструмента, первісне визнання, класифікацію, аналіз економічної сутності, вибір підходу до оцінки, оцінювання ризиків та розкриття інформації у фінансовій звітності. Його практичне значення полягає у можливості використання як внутрішнього інструмента облікової політики підприємств. Такий підхід сприяє поступовому переходу від формалізованої моделі обліку фінансових інструментів до більш аналітично обґрунтованої методології, орієнтованої на економічну сутність контрактних прав і зобов’язань. Подальші дослідження доцільно спрямувати на деталізацію методики оцінки складних і гібридних фінансових інструментів, адаптацію SPPI-критерію до потреб трансформації звітності та розробку практичних

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рекомендацій щодо розкриття ризиків, пов'язаних із фінансовими інструментами.

Ключові слова: фінансові інструменти; визнання фінансових інструментів; класифікація фінансових інструментів; МСФЗ 9; НП(С)БО 13; гармонізація облікової методології.

Problem statement. Financial instruments have become one of the most complex objects of modern accounting due to the transformation of financial markets and the growing sophistication of contractual financial arrangements. If previously their accounting treatment was associated mainly with traditional debt or equity instruments, today enterprises increasingly operate with derivatives, hybrid instruments and contracts containing embedded financial components. Under such conditions, the recognition of financial instruments becomes not merely a technical accounting procedure, but an important methodological issue that directly influences the reliability and comparability of financial reporting.

The complexity of this issue arises from the economic nature of financial instruments themselves. Unlike many conventional accounting objects, they are not always easily classified according to formal legal characteristics, since a single instrument may combine features of a financial asset, liability, equity component or derivative mechanism. This creates a need for professional judgement in determining the economic substance of contractual rights and obligations, selecting an appropriate accounting treatment and ensuring consistency in financial reporting.

This problem is particularly relevant for the Ukrainian accounting system, where the methodology for recognising financial instruments remains comparatively formalised and less analytically developed than the international accounting framework. While International Financial Reporting Standards rely on principle-based approaches focused on economic substance, business models and contractual cash flow characteristics, the national accounting methodology is primarily structured around formal classification categories. Such methodological differences create practical difficulties in accounting for complex financial instruments and reduce the comparability of financial reporting in the context of international economic integration.

Analysis of recent research and publications. Contemporary scientific literature demonstrates a growing academic interest in the accounting treatment of financial instruments, particularly in the context of the transition from IAS 39 to IFRS 9 and the broader transformation of international accounting methodology. A significant body of research focuses on the classification of financial instruments, the determinants of accounting choice and the practical consequences of IFRS 9 implementation. Zang Z., Kabir H. and Scott T. [1, 2], Pinto I. and Morais A. I. [3] examine the accounting treatment of equity financial instruments, analysing the methodological implications of IFRS 9 classification models and their influence on reporting quality and decision usefulness.

A separate research direction concerns the broader methodological transformation of accounting standards for financial instruments and the institutional consequences of IFRS 9 adoption. Awuye I. S. and Taylor D. [4] provide a systematic review of the first years of IFRS 9 implementation, identifying both conceptual advantages and unresolved practical difficulties associated with classification, impairment and measurement. Mechelli A., Sforza V. and Cimini R. [5] investigate whether IFRS 9 improves the informational usefulness of financial reporting for investors compared with IAS 39, while Elkelish W. [6] analyses the relationship between IFRS 9 adoption, information quality and capital market outcomes.

Another group of studies addresses the theoretical and practical accounting treatment of complex financial instruments within different institutional environments. Van Dinh D. [7] explores the theoretical foundations of financial instrument accounting in the context of developing national standards, while Nicolae T. C. [8], Wan Z. [9], and Makhmudov S. [10] analyse methodological challenges arising from the growing complexity of modern financial instruments. Jian M. and Koh W. C. [11] provide a case-based analysis of mandatory convertible instruments, highlighting the accounting difficulties associated with hybrid contractual structures. Tuyen N. T. P. [13] examines disclosure practices related to financial instruments in non-financial enterprises, whereas Korpriani J. M., Pasino W. and Situmorang P. [13] consider financial instruments within the broader context of multinational accounting.

Certain studies extend the analysis toward specialised applications of financial instrument accounting. Atmeh M. A., Maali B. M., Fendi U. [14] propose an alternative accounting model for financial instruments within Islamic finance, while Saiful S. and co-authors [15] investigate the impact of revised accounting standards on corporate financial performance. Such studies demonstrate the adaptability of financial instrument accounting methodologies across different regulatory and economic environments.

Despite the considerable development of scientific research in this field, existing studies predominantly focus on the implementation effects of IFRS 9, the classification of specific categories of instruments, or the theoretical evolution of international accounting standards.

Identification of unresolved aspects of the general problem. Despite the considerable development of scientific research devoted to the accounting treatment of financial instruments, several important aspects of the broader problem remain insufficiently resolved. Existing studies predominantly focus on the evolution of international accounting standards, the practical consequences of IFRS 9 adoption, or the accounting treatment of specific categories of financial instruments. While these contributions have significantly expanded the theoretical understanding of financial instrument accounting, they largely remain concentrated within the framework of international reporting systems and do not sufficiently address the challenges of methodological adaptation within national accounting environments.

This gap can be explained by the fact that academic research in this area has traditionally focused either on evaluating the effectiveness of IFRS adoption or on analysing specific technical accounting issues such as classification, measurement, impairment or disclosure. As a result, the problem of methodological integration between accounting systems has remained relatively underexplored, particularly in countries where national accounting regulation continues to coexist with international reporting requirements.

The importance of addressing this unresolved issue is determined by the growing practical complexity of financial instrument accounting. Modern financial instruments increasingly combine characteristics of debt, equity and derivative arrangements, making purely formal classification approaches less effective for reflecting their economic substance. In such conditions, the absence of a structured methodological bridge between domestic and international accounting approaches may reduce the analytical quality of financial reporting, complicate professional judgement and create difficulties in the transformation of financial statements for IFRS purposes.

Formulation of the Article's Objectives.

The purpose of the article is to substantiate the methodological directions for harmonising the recognition and classification of financial instruments in the national accounting system with IFRS requirements and to develop an IFRS-oriented algorithm that can be applied in Ukrainian accounting practice without contradicting NAS 13 Financial Instruments.

To achieve this purpose, the article sets the following objectives: to clarify the conceptual basis for defining financial instruments under international and national accounting standards; to compare the classification approaches used in NAS 13 and IFRS 9; to identify the key methodological differences between the domestic form-based classification model and the IFRS principle-based model; to analyse the role of the business model assessment and the SPPI criterion in the classification of financial assets under IFRS 9; to determine the methodological limitations of the national approach in accounting for complex, hybrid and derivative financial instruments; and to propose a practical algorithm for the recognition and classification of financial instruments that combines compliance with domestic regulation with IFRS-oriented analytical procedures.

The achievement of these objectives makes it possible to move beyond a formal comparison of accounting standards and to formulate an applied methodological solution aimed at improving the quality of professional judgement, strengthening the economic substance analysis of financial instruments and supporting the gradual convergence of national accounting methodology with international financial reporting requirements.

Main material.

The increasing complexity of financial markets, the expansion of derivative instruments, the growing diversity of contractual financial arrangements and the intensification of cross-border capital flows have substantially increased the methodological significance of accounting for financial instruments within modern financial reporting systems. In contemporary economic conditions, financial instruments no longer perform solely the traditional functions of capital attraction, liquidity management or investment allocation, but increasingly serve as instruments of risk transfer, hedging, speculative positioning and strategic financial engineering. Under such circumstances, the quality of their accounting recognition directly affects the reliability of financial reporting, the comparability of accounting information and the adequacy of managerial, investment and regulatory decision-making.

The accounting treatment of financial instruments occupies a particularly complex position within the architecture of financial reporting due to the hybrid economic nature of such instruments, which may simultaneously contain characteristics of assets, liabilities, equity components or embedded derivative

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features. Unlike conventional accounting objects, whose economic substance is often relatively straightforward, financial instruments frequently require multidimensional interpretation involving contractual rights and obligations, future economic benefits, valuation uncertainty and the distinction between legal form and economic substance. This substantially increases the methodological importance of clearly defined recognition criteria within accounting standards.

Within international accounting practice, the conceptual regulation of financial instrument accounting is primarily formed through an interconnected system of standards, including IFRS 9 Financial Instruments [16], IAS 32 Financial Instruments: Presentation [17], IFRS 7 Financial Instruments [18]: Disclosures, and, in valuation-related aspects, IFRS 13 Fair Value Measurement [19]. However, the central methodological role in the recognition and measurement of financial instruments belongs to IFRS 9, which establishes the principles governing the initial recognition, classification, subsequent measurement, impairment and derecognition of financial assets and financial liabilities. Within the national accounting system of Ukraine, the regulation of financial instrument accounting is primarily governed by National Accounting Standard (NAS) 13 "Financial Instruments" [20], which establishes the methodological principles for the recognition, measurement and disclosure of information related to financial assets, financial liabilities and equity instruments in financial reporting. In contrast to the broader and more dynamically evolving international framework, domestic regulation is characterised by a more compact normative structure and a comparatively simplified methodological approach to the classification and accounting treatment of financial instruments.

The comparative analysis shows that international and national accounting standards apply an essentially identical conceptual interpretation of financial instruments. A financial instrument is understood as any contract that gives rise simultaneously to a financial asset for one entity and a financial liability or an equity instrument for another entity. A financial asset includes cash, cash equivalents, an

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equity instrument of another entity, or a contractual right to receive cash or another financial asset, or to exchange financial instruments under potentially favourable conditions. A financial liability represents a contractual obligation to deliver cash or another financial asset, or to exchange financial instruments under potentially unfavourable conditions. An equity instrument, in turn, is defined as any contract evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

Despite this conceptual consistency in the definition of financial instruments, significant differences emerge at the level of their classification and subsequent accounting treatment. While international accounting standards apply a principle-based and economically oriented approach that reflects both the nature of contractual cash flows and the entity's business model, the Ukrainian accounting framework relies on a more structurally formal classification rooted in the legal and economic substance of financial instruments. As a result, although the foundational terminology remains largely harmonised, the practical organisation of financial instrument accounting demonstrates notable methodological divergence. According to NAS 13, financial instruments are classified into financial assets, financial liabilities, equity instruments, derivative financial instruments, compound financial instruments, and hedging instruments (Table 1).

Table 1.

Classification of Financial Instruments in Ukrainian Accounting Practice According to NAS 13

Category	Definition	Main Types
Financial Assets	Assets representing contractual rights to receive cash or another financial asset from another entity, or to exchange financial instruments under potentially favorable conditions.	Cash and cash equivalents; accounts receivable not intended for resale; held-to-maturity financial investments; financial assets held for trading; equity instruments of other entities; other financial assets.
Financial Liabilities	Contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial	Accounts payable; loans and borrowings; issued debt instruments; financial liabilities held for trading; other financial liabilities.

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Category	Definition	Main Types
	instruments under potentially unfavorable conditions.	
Equity Instruments	Contracts evidencing a residual interest in the assets of an entity after deducting all liabilities.	Ordinary shares; ownership interests; contributions to share capital; other residual equity instruments.
Derivative Financial Instruments	Financial instruments whose value changes in response to changes in an underlying variable and that require little or no initial net investment, with settlement occurring at a future date.	Forwards; futures; options; swaps; other derivative contracts.
Compound Financial Instruments	Financial instruments containing both a liability component and an equity component.	Convertible bonds; hybrid debt-equity instruments.
Hedging Instruments	Financial instruments designated to reduce exposure to changes in fair value, cash flows, or other risk factors related to a hedged item.	Currency forwards; interest rate swaps; futures contracts; options used for hedging purposes.

Source: compiled by the author based on [20]

Unlike the domestic accounting framework, where financial instruments are classified primarily according to their legal and economic form, the international accounting model established by IFRS 9 applies a principle-based classification mechanism. The classification of financial instruments is determined through the combined assessment of two analytical criteria: the entity's business model for managing financial assets and the contractual cash flow characteristics of the instrument. Under IFRS 9, the classification model based on the entity's business model and contractual cash flow characteristics applies specifically to financial assets, while financial liabilities are classified according to a separate measurement logic, with amortised cost as the general category and fair value through profit or loss applied to specific exceptions. The classification of financial assets according to the business model criterion under IFRS 9 is presented in Table 2.

Table 2.

Classification of financial assets according to the business model criterion under IFRS 9

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Business model	Economic interpretation	Accounting implication
Hold to collect	Assets are managed primarily to collect contractual cash flows	Subsequent measurement at amortised cost, subject to compliance with the SPPI (Solely Payments of Principal and Interest) criterion.
Hold to collect and sell	Assets are managed both to collect cash flows and to sell when appropriate	Subsequent measurement at fair value through other comprehensive income (FVOCI), subject to compliance with the SPPI criterion.
Other business models (trading, active management)	Assets are managed for short-term gains, trading, or strategic value realisation	Subsequent measurement at fair value through profit or loss (FVTPL).

Source: compiled by the author based on [16]

The business model assessment alone is not sufficient for determining the classification of financial assets under IFRS 9, since the standard additionally requires an evaluation of the contractual cash flow characteristics of the instrument through the SPPI test (Solely Payments of Principal and Interest) (Table 3). The SPPI (Solely Payments of Principal and Interest) criterion represents a contractual cash flow test under IFRS 9 used to determine whether the cash flows generated by a financial asset reflect only basic lending arrangements, namely repayment of principal and compensation for the time value of money, credit risk and other standard lending risks. Financial assets failing this criterion are generally classified at fair value through profit or loss.

Table 3.

Classification of financial assets according to contractual cash flow characteristics under IFRS 9 (SPPI criterion)

SPPI assessment result	Economic interpretation	Main types	Classification consequence
SPPI criterion satisfied	Contractual cash flows consist exclusively of repayments of principal and compensation for the time value of money, credit risk and other standard lending-related risks.	Trade receivables, loans granted, conventional corporate or government bonds, held debt securities.	Eligible for classification at amortised cost or fair value through other comprehensive income (FVOCI), depending on the applicable business model.

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SPPI assessment result	Economic interpretation	Main types	Classification consequence
SPPI criterion not satisfied	Contractual cash flows include leverage effects, embedded derivative features, non-standard return mechanisms or exposure to risks inconsistent with a basic lending arrangement.	Convertible instruments, structured debt securities, instruments linked to equity prices, commodity-linked instruments, leveraged financial products.	Mandatory classification at fair value through profit or loss (FVTPL).

Source: compiled by the author based on [16]

Thus, the classification of financial assets under IFRS 9 is based on the combined application of strategic management intent and the economic substance of contractual cash flows. This dual-criterion approach significantly enhances the analytical precision of financial instrument classification, since it aligns accounting treatment not merely with legal form, but with the underlying economic characteristics of the instrument and the entity’s intended method of value realisation.

An equally important aspect of financial instrument accounting is their recognition in the accounting system, since classification becomes relevant only after an instrument has been formally recognised in the entity’s financial statements. Under IFRS 9, a financial asset or financial liability is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument, meaning that recognition is based on the emergence of enforceable contractual rights or obligations rather than the physical transfer of cash or other economic resources.

A broadly similar conceptual approach is applied in Ukrainian accounting practice, where recognition is likewise linked to the occurrence of contractual rights and obligations arising from financial instruments. However, in international accounting standards, recognition is more explicitly integrated with the subsequent processes of classification, initial measurement and impairment assessment, forming a more comprehensive methodological framework for financial instrument accounting.

To overcome the methodological gap between the compact classification model of NAS 13 and the more analytically developed IFRS framework, it is appropriate to propose an algorithm for the recognition and classification of financial instruments in Ukrainian accounting practice (Table 4). This algorithm does not replace the national standard, but supplements its formal classification structure with additional analytical procedures derived from IFRS 9 and IAS 32. Such an approach allows the accountant to preserve compliance with domestic regulation while improving the economic substance analysis of financial instruments and facilitating future transformation of financial statements into IFRS format.

Table 4.

IFRS-oriented algorithm for the recognition and classification of financial instruments in Ukrainian accounting practice

Stage	Analytical procedure	Methodological content	Accounting result
1. Contract identification	Determination of whether the transaction is based on a contractual arrangement.	A financial instrument may arise only from a contract that creates rights and obligations between parties.	Transactions without contractual rights or obligations are excluded from financial instrument accounting.
2. Financial instrument definition test	Assessment of whether the contract gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.	This stage ensures consistency with the common conceptual definition used in both IFRS and NAS 13.	The object is identified as a financial instrument or excluded from further analysis.
3. Initial recognition test	Determination of the moment when the entity becomes a party to the contractual provisions of the instrument.	Under IFRS 9, recognition occurs when the entity becomes party to the contractual provisions of the instrument; this logic may be used as a methodological benchmark in domestic practice.	The financial asset or financial liability is recognised in the accounting system.
4. Primary classification under NAS 13	Allocation of the instrument to one of the national accounting categories.	The instrument is classified as a financial asset, financial liability, equity instrument, derivative financial instrument,	Compliance with the domestic classification model is ensured.

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Stage	Analytical procedure	Methodological content	Accounting result
		compound financial instrument or hedging instrument.	
5. Economic substance assessment	Identification of the real economic nature of the instrument beyond its legal form.	Particular attention is paid to hybrid contracts, embedded derivative features, repurchase conditions, conversion rights, guarantees and hedging purposes.	Instruments requiring additional professional judgement are identified.
6. IFRS-oriented classification filter for financial assets	Application of business model assessment and the SPPI criterion.	Financial assets are analysed according to the purpose of holding them and the nature of contractual cash flows.	The instrument is linked to the closest IFRS measurement logic: amortised cost, FVOCI or FVTPL.
7. Separate assessment of financial liabilities	Identification of whether the liability is ordinary, trading, derivative-based or designated at fair value.	Since IFRS 9 applies a different classification logic to financial liabilities, they should not be assessed through the business model and SPPI approach.	The liability is classified under NAS 13 with an additional IFRS-oriented analytical note.
8. Measurement method determination	Selection of the appropriate measurement basis under national rules with IFRS comparability in mind.	Fair value, amortised cost or cost-based approaches are applied depending on the category and nature of the instrument.	The selected measurement approach is documented and justified.
9. Impairment and risk assessment	Evaluation of credit risk, market risk and possible decline in recoverable value.	For domestic reporting, impairment is assessed under national rules; for IFRS transformation, the expected credit loss logic may be used as an additional analytical benchmark.	Potential losses and valuation adjustments are identified.
10. Disclosure and documentation	Preparation of explanatory information on classification, recognition, measurement and risks.	Disclosure should explain not only the formal category of the instrument, but also the reasoning behind classification and measurement decisions.	Transparency and comparability of financial reporting are improved.

Source: developed by the author.

The proposed algorithm allows the domestic accounting treatment of financial instruments to move from a purely formal classification model toward a more economically substantiated methodology. Its key advantage is that it does not contradict NAS 13, because the primary classification remains based on national categories. At the same time, the introduction of IFRS-oriented analytical filters strengthens professional judgement, improves the identification of complex instruments and creates a methodological bridge between Ukrainian accounting regulation and international financial reporting standards.

Conclusions. The recognition of financial instruments is one of the most important methodological issues in modern accounting, since it determines the moment at which contractual rights and obligations become reflected in financial reporting. The analysis confirms that international and national accounting standards are conceptually close in defining financial instruments. Both approaches understand a financial instrument as a contract that gives rise to a financial asset for one party and a financial liability or equity instrument for another party. This creates a common theoretical basis for accounting regulation.

At the same time, the main differences appear not at the level of definition, but at the level of classification and further accounting treatment. The Ukrainian methodology, based on NAS 13, applies a more formal classification of financial instruments according to their legal and economic nature. In contrast, IFRS 9 uses a more analytical model, especially for financial assets, where classification depends on the entity's business model and the contractual cash flow characteristics assessed through the SPPI criterion. This makes the international approach more flexible and more closely connected with the economic substance of financial instruments.

The study substantiates that the harmonisation of national accounting methodology with IFRS requirements should not be limited to a formal comparison of standards. A more practical solution is the gradual introduction of IFRS-oriented analytical procedures into the national accounting environment. The proposed algorithm preserves the basic classification logic of NAS 13, but supplements it with additional stages of contract identification, economic substance analysis, assessment of complex and hybrid instruments, determination of measurement logic, risk analysis and disclosure justification.

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The practical value of the proposed approach lies in its ability to strengthen professional judgement without contradicting existing national regulation. It may be used as an internal methodological tool for enterprises that prepare financial statements under national standards but need to improve their comparability with IFRS-based reporting. Such an approach is especially important for accounting for derivative, compound and hybrid financial instruments, where formal classification alone is often insufficient for a faithful representation of economic reality.

Further research should be directed toward the development of more detailed methodological recommendations for the measurement of complex financial instruments, the practical adaptation of the SPPI criterion for financial statement transformation, and the improvement of disclosure practices related to financial risks.

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