

СЕКЦІЯ 9 БУХГАЛТЕРСЬКИЙ ОБЛІК, АНАЛІЗ ТА АУДИТ

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WAYS TO IMPROVE ACCOUNTING AND ANALYSIS OF FINANCIAL PERFORMANCE IN UKRAINE ON THE BASIS OF INTERNATIONAL STANDARDS

This research paper covers the problems of improving the system of accounting and analysis of financial performance of the companies in Ukraine based on the use of world experience. Based on the results of analysis of the main problems of building an effective system of accounting and analysis in domestic companies, the ways to improve the system of accounting and analysis of financial performance in Ukraine were determined, which should be based on the implementation, wide spread and careful observance of international accounting and analysis standards. The above improvement will allow to expand the potential of transforming existing limited resources of domestic companies into financial performance (revenues) as an economic value that will have not only a microeconomic effect but is also important for the development of the country's economy and for the well-being of its population.

Keywords: accounting, analysis, company, financial performance, income, international standards, resources, Ukraine.

Альнаймат Мохаммад Ахмад НАПРЯМКИ УДОСКОНАЛЕННЯ СИСТЕМИ ОБЛІКУ І АНАЛІЗУ ФІНАНСОВИХ РЕЗУЛЬТАТІВ В УКРАЇНІ НА БАЗІ МІЖНАРОДНИХ СТАНДАРТІВ

В даній статті висвітлено проблематику удосконалення системи обліку та аналізу фінансових результатів підприємств в Україні на основі використання світового досвіду. За результатами аналізу основних проблем побудови ефективної системи обліку та аналізу на вітчизняних підприємствах визначено напрямки удосконалення системи обліку і аналізу фінансових результатів в Україні, яке має базуватись на впровадженні, широкому поширенні та ретельному дотриманні міжнародних стандартів обліку та аналізу. Вказане удосконалення дозволить розширити потенціал трансформації наявних обмежених ресурсів вітчизняних підприємств в фінансовий результат (доходи) як економічну цінність, що матиме не лише мікроекономічний ефект, але й є важливим для розвитку економіки країни та підвищення добробуту її населення.

Ключові слова: облік, аналіз, підприємство, фінансові результати, доходи, міжнародні стандарти, ресурси, Україна.

Альнаймат Мохаммад Ахмад НАПРАВЛЕНИЯ СОВЕРШЕНСТВОВАНИЯ СИСТЕМЫ УЧЕТА И АНАЛИЗА ФИНАНСОВЫХ РЕЗУЛЬТАТОВ В УКРАИНЕ НА БАЗЕ МЕЖДУНАРОДНЫХ СТАНДАРТОВ

В данной статье рассмотрена проблематика совершенствования системы учета и анализа финансовых результатов предприятий в Украине на основе использования мирового опыта. По результатам анализа основных проблем построения эффективной системы учета и анализа на отечественных предприятиях, определены направления совершенствования системы учета и анализа финансовых результатов в Украине, которое должно базироваться на внедренные, широко распространении и тщательном соблюдении международных стандартов учета и анализа. Указанное усовершенствование позволит расширить потенциал трансформации имеющихся ограниченных ресурсов отечественных предприятий финансовый результат (доходы) как экономическую ценность, что будет иметь не только микроэкономический эффект, но и является важным для развития экономики страны и повышения благосостояния ее населения.

Ключевые слова: учет, анализ, предприятие, финансовые результаты, доходы, международные стандарты, ресурсы, Украина.

Problem statement. The European integration processes currently taking place in Ukraine, stimulated by the conclusion and implementation of the EU-Ukraine Association Agreement, on the one hand, open up significant prospects for the development of the domestic economy as a whole and Ukrainian companies in particular, on the other hand, have considerable potential for increasing competition in the intra-Ukrainian market. At the same time, both of these aspects of the impact of European integration transformations on the activities of Ukrainian companies make it necessary to improve the production, technological, organizational, economic, and management systems of companies, in particular, the system of accounting and analysis of companies' financial performance. Under these conditions, domestic enterprises are forced to adapt to new circumstances, which determines the possibilities for their survival, operation and development.

These circumstances determine the urgency of the direction of scientific research of the problem of the efficiency of accounting and analytical activi-

ties in the company in the modern conditions, which is focused on the company's financial performance. First and foremost, achievement of this efficiency should be aimed at ensuring the convenience of perceiving accounting and analytical information by a wide range of interested parties (owners, investors, including foreign, public supervisory bodies, etc.).

In this context, the modern international theory, methodology and practice of accounting and analytical activity is interesting and expedient to be studied, processed, adopted and developed [2; 8; 9], in particular, the scientific aspect of standardization of accounting and analysis of company's financial performance, which determines the topicality of the subject matter of this research paper and conditions the need to formulate directions for improving the system of accounting and analysis of financial performance of domestic companies based on the implementation and wide spread of international standards.

The above-mentioned range of problems is quite substantially covered in the scientific literature, especially

in foreign one. In this sense, the works of the world-class scholars should be noted who dealt with this range of issues: C. Ward, S. Kaplan, D. Norton.

At the same time, it is very important to focus on domestic experience in the analysis and scientific elaboration of the problems of development of accounting and analytical support for the company's activity, where the works by Ye.V. Kaliuha, P.L. Suk, A.A. Pylypenko, A.N. Shchemelev, V.A. Terekhova, F.F. Butynets, V.M. Parkhomenko, M.A. Vakhrushyna, N.V. Valiebnikova, H.H. Kireitseva are worth special attention. The above authors analyze the current problems of the formation and development of an effective accounting and analysis system in Ukraine, study the possibilities of their solution and offer author's scientific solutions, many of which are based on the use of international experience and, especially in recent years – international standards of accounting and analysis of company's financial performance.

This research paper aims at creating ways to improve the efficiency of accounting and analysis of financial performance in Ukrainian companies based on the spread of the international standards in the domestic accounting and analytical practice. Achievement of this aim is related to fulfilling the following tasks:

- determination of prerequisites for the use of international standards in the accounting and analytical practice of Ukrainian enterprises;

- determination of the ways to improve the accounting system and analysis of financial performance in Ukraine on the basis of international standards.

Fulfilling these tasks will increase the efficiency of accounting and analysis of financial performance in Ukrainian companies and the effectiveness of the processes of information support for the adoption of management decisions.

Research findings. IFAC (*International Federation Of Accountants*) established the International Recommendations on the Practice of Assessing and Improving Management in Organizations [7], which cover the following areas of the company's activities:

- establishment of strategic directions of the activity;
- ensuring achievement of the company's goals;
- ensuring controllability of risks in the company's activities;
- confirmation of rational resources consumption.

According to the above Recommendations, the application of certain international accounting and analysis standards is provided in these areas, with the possibility of their adaptation in accordance with the conditions of a particular country.

The development of standardization practice initiated by IFAC at the international level was expressed in the spread of the International Financial Reporting Standards (IFRSs), designed to improve and bring financial reporting closer at the international level.

The International Financial Reporting Standards Board was established in 2001, based on the IASC (International Financial Reporting Standards Committee), non-governmental organization which has been operating since 1973. The IFRS is entrusted with the task of approving international accounting, analysis and control standards [4; 5].

According to the European Commission's 2002 Resolution, since 2005, all companies with their shares listed on the European exchanges have prepared consolidated statements according to IFRS. Currently, the International Financial Reporting Standards are adopted as binding in several European countries. In 2002, the Norfolk Agreement was concluded so that the Interna-

tional Financial Reporting Standards Board and the US Accounting Standards Board adopted the Memorandum on Convergence between IFRS and US GAAP (US National Accounting Standards) [2]; on this basis, the requirement to reconcile IFRS statements with US GAAP has been abolished since 2009 and a gradual transition of American business to IFRS was envisaged. However, in February 2011, the introduction of IFRS in US reporting was postponed.

Currently, there is a hierarchy of international standards that deal with companies' accounting and analysis of financial performance (Figure 1, composed by the author on the basis of [2; 8]).

In 2010, the Resolution of the Securities and Stock Market State Commission of Ukraine No. 981 dated 22.06.2010 gave effect to the Procedure for Filling in Forms of Information Disclosure and Changes Thereto by Issuers of Shares and Bonds of Companies that are Listed by Securities Market Operator on 01.01.2011, according to which "Public joint stock companies shall additionally disclose information about their activities on the basis of international accounting standards" [2; 3].

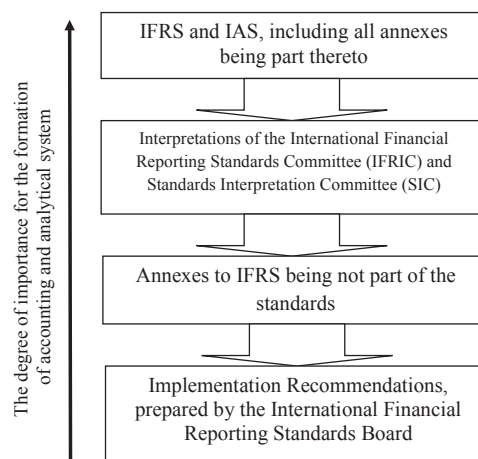


Fig. 1. Hierarchy of International Financial Reporting Standards

In June 2011, amendments to the Law "On Accounting and Financial Reporting in Ukraine" were implemented, according to which public corporations and financial institutions must submit reports according to IFRS. These changes took effect in 2012 [1]. At the same time, spread IFRS in the practice of Ukrainian companies involves a number of problems. One of them is the inconsistency of the regulatory framework. So, while in Jordan the implementation and functioning of IFRS in the country is governed by a single law and regulations subordinate to it, in Ukraine, in particular, Article 12-1 of the Law "On Accounting" states: "...international standards shall be applied for the formation of financial statements if they do not contradict this Law and are posted on the website of the Ministry of Finance of Ukraine" [2].

Thus, an important problem of current theory, methodology and practice of accounting and analytical systems of domestic companies is to ensure the harmonization of international regulations and standards with domestic ones and to avoid inefficient practice of duplicating accounting and analytical information. This will make it possible to achieve particular advantages in using international accounting and analysis standards of financial performance of Ukrainian companies, namely those presented in Figure 2 (composed by the author on the basis of [3; 6]).

In the microeconomic interpretation and in the international practice, the system of accounting and analysis of the company's financial performance relates to specific economic entities that independently establish it, but only within the limits determined by the macro-policy. Some autonomy remains in the field of the variable determination of some accounting issues, and is conditioned by the necessity to take into account the specifics and needs of each economic entity, as well as the desire to leave economic entities a certain freedom of choice among the proposed solutions in order to enable the most accurate representation of the real state of affairs regarding the financial state of a particular company (in what the company should be primarily interested, and this is a problem of economic and fiscal policy of the state).

Thus, the system of accounting and analysis of the company's financial performance is an attempt to implement the management function of provision and control of the board's responsibility to the owner of capital, as well as responsibility to other stakeholders (state, society, company's employees, etc.). So, the system of accounting and analysis of the company's financial performance is important in practice and facilitates corporate supervision.

The international standards do not focus directly on the quality of the financial statements but, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and IAS 1, Presentation of Financial Statements, the principles chosen should ensure with the availability of information in the financial statements that has qualitative features which, above all, should be reliable and suitable for users [5].

The documentation of the system of accounting and analysis of the company's financial performance created on the basis of international standards contains a description of the accounting principles (accounting policies), including:

- applicable year and reporting periods covered;
- methods and principles for evaluating the company's assets and liabilities, income and expenses, as well as establishing a financial performance in a field in which a specific international standard and local laws give an economic entity the right to choose;
- way of keeping books, including: a card of accounts, registers, a description of the data processing system, etc.;
- organizational decisions that ensure data protection, obtaining and distribution.

From the formal point of view, an effective system of accounting and analysis of financial performance of a domestic company using international standards should be based not only on the chosen principles and applied rules of presenting the financial situation and the company's financial performance, but also contain "technical" elements of accounting and analytical practice. It should, however, be kept in mind that the use of these technical elements should primarily be conditioned by the principle of domination of the economic content over a form that is extremely important in terms of domestic realities, when the formal approach often dominates (which is the result

of decades of planning and administrative management of the economy in the times of the USSR and the continuation of such traditions by domestic companies upon gaining Ukraine's independence).

Effective system of accounting and analysis of financial performance of a domestic company based on international standards is, on the one hand, a certain established and consistently applied way of the company's activities in the field of accounting and analysis, aimed at best representing the entity's economic situation, on the other hand, it is a special type of management tool through having the effect on recipients of financial statements, achievement of goals and objectives set by the company.

The purpose of creating an effective system of accounting and analysis of financial performance of domestic enterprises on the basis of international standards is the presentation of a true picture of the company's property and financial situation, without colouring, hiding, distorting the truth. The detailed documents of accounting and analysis of the companies' financial performance should make it possible to measure and present the financial situation (balance sheet), as well as profitability (income and loss accounting) of the company in accordance with international principles, standards and best accounting and analytical practices.

In the context of modern conditions and trends in the development of accounting and analytical practices of Ukrainian companies, there is the possibility of forming and implementing specific action lines that will enhance the efficiency of management and organization of the accounting and control system of financial performance by domestic companies based on the implementation of, wide spread of and thorough compliance with international standards. These areas may include the following:

1. Following general principles of the formation of a system of accounting and reporting in accordance with international standards in the process of improving the methodology of accounting and analysis of financial performance of Ukrainian companies.

2. Ensuring a balance between the adaptability of the system of accounting and analysis of financial performance in domestic companies in a changing environment and the development of management methods, managerial freedom to form a system of accounting and analysis at the level of a specific company.

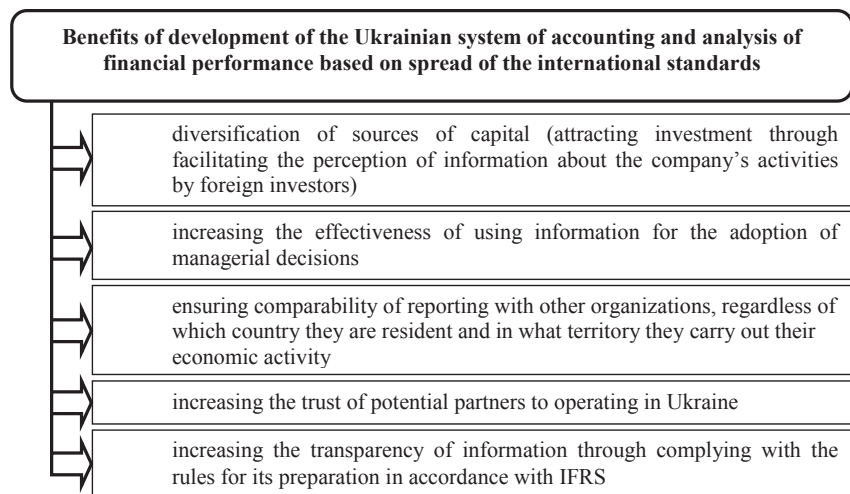


Fig. 2. Benefits of development of the Ukrainian system of accounting and analysis of financial performance based on spread of the international standards

3. Ensuring the possibility of using the results of accounting and analysis of the company's financial performance for comparison, identification of trends, which is especially important in the management of financial performance under the conditions of influence of a highly competitive environment of the European markets.

4. Improvement of government regulation of accounting allowing for a national specifics, first of all – adaptation of the national regulatory framework of accounting (at all levels) to functioning according to the international standards.

5. Reorientation of domestic science and practice (due to the considerable experience in development of accounting and analysis of financial performance during the period of the administrative command system of the USSR) towards fulfilling new tasks of company management in the conditions of a market economy and competition (both in the domestic and international markets).

6. Activation of international cooperation and adoption of the world experience in accounting and analysis of the companies' financial performance in the system of financial management of companies.

The system of accounting and analysis of financial performance of Ukrainian enterprises, which functions on the basis of international standards, has the potential to stimulate the economic development of Ukrainian companies, will allow uniting the latest information technologies, approaches and instruments of management accounts and elements of strategic management.

At the same time, it should be emphasized that the existing freedom to choose the applicable solutions and the requirements for accounting and analysis of financial performance according to the international standards, which is appropriate to be implemented under domestic conditions as well, does not authorize the use of accounting policies as a kind of tool for the expected creation of the company's image in the market by presenting only positive results of its activities. It cannot contradict the main accounting principle of – *“true and fair view”*.

Conclusions and prospects for further studies. The expediency of improving the systems of accounting and analysis of financial performance of domestic enterprises on the basis of international accounting and analysis standards creates specific and important opportunities both for the company and for the country's economy as a whole to solve current organizational and managerial problems, create the pre-conditions for economic development and ensuring investment attractiveness and competitiveness of Ukrainian companies.

First of all, these opportunities provide for the implementation of a set of actions that will improve the efficiency of both the organization of accounting and analysis as a whole, and accounting and analysis procedures at the level of an individual company based on internationally recognized principles, the key principles being to ensure a true and fair point of view and domination of economic content over the form, as well as the use of progressive approaches from world practice. Based on the results of analysis of the main problems of building an effective system of accounting and analysis by domestic companies, the ways to improve the system of accounting and analysis of financial performance in Ukraine are determined. Particular attention should be paid to the necessity to find ways to ensure that the needs of management of domestic companies for objective, complete and timely information are fully met for the adoption of sound and effective management decisions regarding the company's financial performance, taking into account domestic specifics, that is not denied by the introduction of international standards, which in general determine the principological and methodological basis, with the possibility of its completion by domestic groundwork.

Prospects for further studies in this area consist in the development of recommendations for improving the application procedure of certain international standards relating to accounting and analysis of financial performance in domestic accounting and analytical practice.

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