

Modern Status of Accounting Reporting and Possibility of Its Acceptance Based on Managerial Decisions

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Abstract

The present state of accounting (financial) reporting is considered in this paper. The paper analyzes the balance sheet data for making managerial decisions. The measures for the reform of accounting stipulated by the Plan of the Ministry of Finance of Russia for 2017-2019 on development of accounting and reporting in the Russian Federation on the basis of IFRS are considered. It is concluded that Russia has chosen one of the most rational ways of applying international financial reporting standards - their adaptation, which involves the gradual improvement of Russian reporting rules.

Keywords: Accounting (financial) reporting; Harmonization; Managerial decisions; International financial reporting standards.



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1. Introduction

One of the most essential basic foundations of a stable financial infrastructure in the modern world is a clear, understandable and universally recognized accounting and reporting system, the principles of which can be interpreted and constantly applied, which will be beneficial to all major players in the market: the state, enterprises, creditors and investors.

To date, in the Russian accounting practice two sets of standards (international and federal) were used for the formation of accounting (financial) statements. The main direction of development of the domestic financial reporting system is its further harmonization with IFRS. The goal of the reform is to bring the national accounting system in line with the requirements of a market economy and international financial reporting standards. The task of the reform is the creation of accounts that are understandable to foreign investors and, accordingly, conducive to attracting investments (Federal Law dated, 2017).

Thus, in Russia the following method for transition to the international financial reporting standards is chosen: adaptation which involves the gradual

improvement of Russian reporting rules. At present, measures have been developed to reform accounting in accordance with the Plan of the Ministry of Finance of Russia for 2017-2019 on the development of accounting and reporting in the Russian Federation based on IFRS. According to this plan, by 2019 accounting in Russia will either fully comply with IFRS, or be as closely as possible to international rules. One of the developers of federal standards is the non-commercial organization Fund "NRBU" Accounting Methodological Center " created in 2008. Its activity is directed to the development of the Federal Accounting Standards, Recommendations and other regulatory documents in the field of accounting in the manner prescribed by the Federal Law "On Accounting". Recommendations adopted by the Fund represent the consolidated position of the Fund's participants on the most complex and unresolved issues and form the customs of business turnover in the field of accounting in order to minimize the risks of applying sanctions for incorrect reflecting the facts of economic activity of organizations in accounting (financial) statements and reduce the cost of maintaining accounting records. Fund "NRBU" Accounting Methodological Center" has developed the drafts of the following standards: " Fixed Assets ", " Capital expenditures in progress ", " Stocks ", " Intangible Assets ", " Accounts

Receivable and Payable ", " Lease ", and "Non-Profit activity".

2. Methods

The paper considers the current state of accounting (financial) reporting and measures to reform accounting, as stipulated in the Plan of the Ministry of Finance of Russia for 2017-2019 to develop accounting and reporting in the Russian Federation on the basis of IFRS, and applies the following methods: analysis and synthesis, comparison, method of analogies. The use of IFRS for reporting is a necessary procedure when entering international markets. The introduction of IFRS allows the internal management system of the enterprise to improve through the use of unified accounting methods for managing business activities, as well as to increase the company's competitiveness

by providing reliable and transparent information to interested users (Kaspina and Plotnikova, 2009; Labyntsev *et al.*, 2017).

3. Results and Discussions

In general, IFRS is a set of generally accepted rules for the qualification, recognition, valuation and disclosure of business transactions and financial indicators for the preparation of financial statements by business entities in most countries of the world. IFRS are a system of documents consisting of forewords to the provisions of IFRS, the principles of preparation and presentation of financial statements, standards and interpretations to them. Each of these documents has its own meaning, but, being an element of the system, cannot be applied separately from the rest of its components (Plotnikova *et al.*, 2015).

The requirements for the presentation of financial statements are established by IAS 1, which provides guidance on their structure and specifies the minimum requirements for the content of financial statements. The purpose of IAS 1 is to formulate prescriptions for the submission by the organization of financial statements that are comparable in time (over a number of reporting periods) and with the financial statements of other organizations (Рогоуленко, 2018).

The list of forms of the complete set of financial statements is provided in item 10 of IAS 1 "Presentation of Financial Statements" (effective on the territory of the Russian Federation by Order No. 160n of the Ministry of Finance of Russia dated 25.11.2011). This international standard defines a list of the minimum information that should be included in the reporting forms. Companies additionally determine the articles, headings, subtotals and totals in the reports, if such a view is necessary to understand the reporting. When forming the articles, a company is guided by the above qualitative characteristics to obtain reliable and reliable reporting (Abdukarimov and Mamoshina, 2013).

Also, IAS 1 obliges companies to divide assets into long-term and short-term. In Russia, this is required by the Accounting Regulations "Accounting Statements of Organizations" (PBU 4/99). For example, according to the tradition in Europe, the list of articles ends with the item with the most liquidity "Cash". Comparative characteristics of reporting forms in accordance with IFRS and national standards are presented in Table 1.

Development and further improvement of accounting (financial) reporting is necessary because it is the main source of information on the financial position of an organization, the financial results of its activities and changes in its financial position.

The information presented in the financial (accounting) reports is necessary for the assessment of financial resources, rational allocation, efficiency of use, preservation and increase of own current and non-current assets, financial results achieved, and the correctness and timeliness of paying taxes to the state budget.

Table-1. Comparative characteristics of IFRS reporting forms and national standards

Reporting name (item 10 IAS 1)	The form of national reporting (in accordance with Law No. 402-FZ)
Statement of financial position as at the end of the period	Balance sheet
Statement of comprehensive income for the period	Income statement
Statement of changes in equity for the period	Statement of changes in equity
Statement of cash flows for the period	Statement of cash flows
Notes, including a summary of significant accounting policies and other explanatory information	Other applications (explanations)

Accounting reporting in the conditions of the market is of interest for internal and external users. Internal users, as a rule, include company management, and managers of the relevant levels. Based on the reporting data, they determine the correctness of the investment decisions made, the efficiency of the capital structure, the main directions of the dividend policy, and so on.

External users of financial statements are divided into two groups:

- 1) Directly interested in the activities of the organization;
- 2) Not directly interested in it.

The first group includes shareholders, founders of organizations, creditors, suppliers and buyers, the state represented by tax authorities, employees of the company. The second group of users of financial statements are those who for one reason or another need to study the company's financial statements in order to protect the interests of the first group. These include: audit and consulting services, lawyers, news agencies, trade and production associations, trade unions, etc.

The interested users receive information from the reports on the basis of which management decisions are made, and economic indicators are analyzed. For users who do not have the ability to require the company to produce reports that satisfy their private information needs, accounting (financial) reporting becomes the main reliable

source of information. Therefore, it is important to disclose as much information in the company's reporting as possible to meet the information needs of its users.

So, based on the data shown in the balance sheet, we can determine: the sources of asset formation; the amount of undistributed profit; arrears to the budget and extra-budgetary funds; the size and structure of the organization's assets; the volume of long-term and short-term assets; value and specific weight of accounts receivable and accounts payable in the total amount of funds; indicators of liquidity and solvency; financial stability of the organization.

Based on the form "Statement of financial results", we can determine the types of income and expenses from the operating, financial and investment activities of the enterprise for the reporting and last year, the procedure for the formation of gross profit, sales profit, and profit before tax and net profit.

Based on the data form the "Statement of changes in capital" we can assess the status and structure of the organization's capital, its changes that occurred over the past and the reporting period by their nature and reasons.

The form "Statement of cash flows" contains information on the receipt and expenditure of funds for the comparative period for current, investment and financial activities.

"Explanations to the balance sheet and the financial results report" are made in tabular or text form. This form provides a breakdown of data by the structure of fixed assets and intangible assets, the state and changes in receivables and payables, the movement of borrowed funds, as well as the structure of financial investments and expenditures for ordinary activities in the context of elements. Most of the articles on the asset and liability are presented in the balance sheet in a generalized form, without their transcripts, and more detailed data on their status and changes for the reporting period by types included in this balance sheet are given in the explanation for the balance. The company has the right to additionally detail these or other indicators which are reflected in the balance sheet, income statement and appendices to them, if necessary.

Accounting statements should provide a reliable and complete picture of the organization's property and financial position, as well as the financial results of its activities. The accounting reporting is considered reliable, if it was formed and compiled on the basis of the rules established by regulatory enactments of the statutory regulation system of the accounting in the Russian Federation. The information contained in the financial statements is based on synthetic and analytical accounting data. The articles of the financial statements compiled for the reporting period must be confirmed by the results of the inventory of property and financial results in accordance with the Methodological Guidelines for Inventory of Property and Financial Liabilities approved by the Order issued by the Ministry of Finance of the Russian Federation.

On the basis of financial statements, the following analytical tasks are solved: assessment of the organization's assets structure and sources of their receipt; determination of the degree of balancing between material and financial flows; evaluation of the structure and movement of equity and debt capital aimed at extracting maximum profit; determination of ways for increasing financial stability, and ensuring solvency; assessing the effectiveness of the use of funds to maintain the optimal structure of capital; calculation of the impact of factors on financial performance and the effectiveness of the use of the organization's assets; the organization of control over the movement of financial flows of the organization, compliance with the norms and standards for the expenditure of financial and material resources, the feasibility of implementing costs.

On the basis of accounting data, possible options for solving commercial, production and organizational issues are determined: the likely volumes of production and sale of products, the establishment of the level of prices for products, possible discounts from the price subject to early payment of production.

As a result of studying the accounting (financial) statements, decisions are made regarding the purchase, sale or retention of equity and debt instruments, as well as the provision or repayment of loans and other forms of lending. Existing potential investors, creditors and other lenders need information that will help them assess the prospects for future of net cash inflows to the organization (Safonenko, 2016).

On the basis of accounting (financial) statements the following aspects are estimated:

- Risks of business activity, and also taxes and dividends are calculated;
- The possibility of issuing loans and credits;
- The financial situation of potential customers, suppliers, competitors or partners, and decisions are made on the appropriateness and conditions of doing business with a particular partner.

When making a decision, the manager should think more about their consequences than about the circumstances that led to the current situation. Each such situation should be considered as a specific task, which must be solved with the help of accounting data.

The general scheme of management decision-

making on the basis of accounting (financial) reporting includes the following elements:

- a) The goal – improvement of the efficiency of economic processes;
- b) Funds - resources that allow achieving desired results of activity;
- c) The time required to make a decision;
- d) The development of a solution including the choice of the optimal solution and its implementation;
- e) Control of execution;
- g) Evaluation of the decision taken and identification of new opportunities;

Management of the business entity to make the right management decision from the accounting data should conduct:

- a) Continuous analysis of debit and credit records on cash accounts;
- b) Taking into account the flow of funds so that at any time there should always be the minimum necessary money for the next and / or emergency payment.

Let's consider some articles of the balance sheet, the changes in which indicate the need to make this or that management decision:

a) The balance of the "Fixed Assets" account for the reporting period has increased significantly, and depreciation has not increased or increased very little. From this, for example, the following conclusions can be drawn:

- The enterprise has received fixed assets, for example, under a gift contract that are not subject to depreciation;
- Or the accountant "forgot" to accrue depreciation to increase profits;
- Or the accountant really forgot to charge it mistakenly.

b) The receivables account balance is growing, and there is no provision for doubtful debts. This shows that:

- Either that the business entity does not make reserves for the expected losses;
- Or that there are debtors, in the virtue and economic stability of which there are no doubts.

At the same time, it should be noted that the accounting (financial) reporting includes information on the financial and property status of an organization. All mandatory indicators are of a financial nature and are used to analyze the results of the company's economic activities. In general, the financial indicators provided are formed on the basis of the facts of the economic activity of the company that have been already performed. Such indicators can be chosen as leading ones, but without a reference to non-financial information, the picture of future prospects of the company's profitability will be incomplete.

Often, the data of financial statements do not fully satisfy the information needs of interested users. According to a survey conducted globally by PricewaterhouseCoopers, the key parameters were identified, which the interested users consider to be particularly important. These include information about: profit, cash flow, costs, capital expenditures, investments in R & D, efficiency of business segments, strategic objectives, development of new products, and market share.

The reporting contains information that characterizes the results of the company's economic activities. However, the disclosure of information on non-financial indicators, to which the interest of users is increasing, is not reported in the form in which it currently exists. At the same time, item 39 of PBU "Accounting statements of the organization" (PBU 4/99) says that "it is not prohibited to include in reporting the additional information accompanying the financial statements if it is useful to interested users in making their economic decisions. Thus, investors and shareholders use a limited set of indicators when making economic decisions, what affects their effectiveness. Disclosure of information on non-financial indicators will contribute to: the growth of investors' interest; strengthening investor confidence in the company's management; increase the level of transparency of the company's reporting; more optimal information support for internal and external users; increase in the effectiveness of managerial decisions.

4. Summary

Thus, accounting reporting is the link between the company and the subjects of modern market relations. Imperfections of the disclosed information in the financial statements can become a serious obstacle to the development of the enterprise's activities, i.e., in forecasting the inflow of additional financial resources in order to improve the activity of the enterprise. The accuracy of the results of the analysis depends, first of all, on the reliability of the information in the reporting, the more detailed the information is in the reporting, the more detailed the analysis will be.

5. Conclusions

International standards penetrate our reality, dictate new accounting rules and allow us to reach a new level of information about the activities of the organization, namely, they lead to the creation of better reporting, accessible and understandable for a wide range of global users.

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