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DEVELOPMENT OF REPORTING AS THE ELEMENT OF ACCOUNTING METHOD

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***Abstract* — The paper reveals the essence of financial reporting process and financial statements as the key result of accounting subsystem of company management. The recent changes in requirements to financial statements of different stakeholders are discussed. The paper proposes approaches that allow to increase the significance of financial statements for managerial decisions.**

***Key Terms* — financial statements, accounting, accounting method, management, company.**

The preparation of timely and reliable statements with the necessary information regarding costs and revenues, which is carried out by management personnel, is complicated due to the irrational organization of the process of preparing such information. Making decisions on the acquisition of resources, the production and sale of the manufactured product, taking into account the required level of profitability, is based primarily on accounting data. The availability of adequate accounting management system requirements ensures the possibility of conducting a qualitative assessment of the effectiveness of economic activity, monitoring the process of managerial decisions implementation, and carrying out planned calculations taking into account the experience gained.

In general financial statements may be considered as a kind of informational model of the business entity. [8] The original and informative definition is proposed by M. Pushkar, who under the financial statements understands "a set of registers of generalized (consolidated, grouped, generalized) indicators for a certain period that characterize the statics and dynamics of accounting objects." [4, p. 561] V. Andrienko comprehensively discloses the essence of financial statements as a "system of general accounting metrics, structured in the form of statements, which provide users with information about the financial position, results of operations, cash flows and changes in equity in the reporting period for adoption of these users of appropriate solutions " [1, p. 154]. Financial statements are the logical completion of accounting procedures of business entities. The domestic normative documents define the concept of financial reporting, its structure, the content of forms, requirements, as well as specified internal and external users. In addition to the definitions of financial statements, there are others, but they all reflect the features that indicate that the financial statements are simultaneously:

structured representation of the financial state and operations carried out by the organization;

the system of indicators that characterize the results of economic activity for the reporting period;

the set of different forms of reports containing information that reflects the individual components of the business entities is used by users to make business investment and management decisions.

Accounting financial statements, based on the generalized accounting data, serves as a link between the enterprise and the external environment. It contains generalized and interrelated indicators of the status and use of fixed and working capital, the sources of these funds, financial results and trends in the use of profits. Also, financial statements are a set of methods and methods for generalizing the accounting data, which is a brief excerpt from the current accounting, which shows consolidated data on the state and results of the enterprise and its units during the accounting period.

The leading role in the management of enterprises is given to the information formed in the accounting and reporting system [2]. The reported information generated in accordance with the rules of international standards may be useful for use within the organization, the internal financial statements of an organization must be formed in accordance with the qualitative characteristics of the international financial reporting, which includes the clarity of the reporting information, its significance, applicability for forecasting and verification of results, true presentation, comparability, neutrality, predominance of the essence over the form, prudence, the possibility of verification.

Guthrie J., Petty R. and Ricceri F. [5] suggest that company's management is expected to undertake important activities and to report on those activities. So, all stakeholders have a right to be provided with information on how company's activities impact them, and further stakeholders may decide whither use reports or not for their decisions.

However, in some occasions company management may influence on stakeholders' decisions. In this Lindblom [7] proposes several combative managerial strategies:

1) educate and inform stakeholders about changes in performance and activities;

2) seek to change the perceptions of stakeholders by deflecting attention to other related issues and appealing to emotive symbols;

3) seek to change external expectations of company performance.

The adoption of a qualitive solution in the event of insufficient provision of the necessary information is practically impossible. In the list of the most important principles aimed at improving the management of enterprises, one can distinguish between obtaining adequate information about the processes that take place. The basis of organization, planning, analysis of the activities of business entities should be operational and reliable flows of accounting information. The main purpose of financial accounting should be to meet the information needs of stakeholders.

The effectiveness of the reporting system's functioning for management may be defined by comparison of costs on its organization and current provision, and the results of management decisions taken on the basis of the information formed in this system.

Financial statements are the most widely used for the analysis of the financial condition of the enterprise. Owing objective financial information, it is possible to investigate and analyze the obligations and sources of their coverage; asset quality and speed of rotation; amount of profit (loss) and expenses of activity; cash flows and so on. These financial statements allow you to calculate and evaluate the most important indicators of current and past activities. First of all it concerns liquidity, solvency, financial stability, creditworthiness, etc. The positive dynamics of these indicators serves as a basis for planning, developing a strategy and tactics for the operation of the entity.

In addition, financial reports provide an opportunity to identify the strengths and weaknesses of the financial, operational and investment activities of business entities, take the necessary steps to improve the financial situation, make decisions aimed at more efficient investment and use of funds, all assets.

At the same time, financial reporting is not only a reliable source of information, but also a control tool, a basis for generating management decisions, the basis of a reasonable choice of economic strategy for enterprise development.

Every year, more and more enterprises compile financial statements for IFRS. The use of IFRS is accompanied by some difficulties as they involve the use of professional judgments for the recognition, measurement and disclosure of information in the financial statements.

Today, the major differences between IFRS and national standards are the recognition, measurement and disclosure of information about assets, liabilities, income and expenses that need to be taken into account when the financial statements are being transformed. Transformation is the process of converting financial statements prepared in accordance with national standards for financial statements that meet the requirements of IFRS. The transformation procedure is to identify differences in the accounting and reporting in accordance with national standards and IFRS and to resolve identified inconsistencies through the accounting system for obtaining internationally accepted financial statements.

The introduction and adaptation of financial consciousness to IFRS allows:

to eliminate the need for additional and special agreement, thus reducing the risks for investors and creditors;

reporting to foreign partners and foreign investors;

to assess the credibility of the financial statements;

to ensure transparency and clarity of accounting information;

to take and adopt justified managerial decisions;

to pass the procedure of conducting of audits by international agencies;

to gain a positive reputation in the world market;

to reduce the cost of developing company's own standards.

The value of financial statements cannot be overestimated, as it is a definite result of accounting department and reveals either profit or loss for distinct period. For long-term operation of the enterprise and receipt of income, it is also important to check the financial statements, the results of which can not only make certain conclusions on the financial aspects, but also check the qualification level of employees, their integrity and honesty.

Financial reporting as an important component of the information management system of the process of management and decision-making by users is harmoniously combined with the basic classical management functions: planning, control, financial, organization, motivation. In the process of planning, financial reporting data is used to justify goals and areas of work, to formulate basic and simulate planned indicators of financial and economic activity of the enterprise. At the stage of organization of work, it affects the process of collecting primary data on the facts of economic life, methods and procedures for their processing in the financial accounting system. There is a detailed description of the tasks, processes, the definition of information requirements at the production level and the functions of the accounting service staff. Also, financial reporting is a means of stimulating and limiting financial management policy. It uses monitoring, monitoring, analysis and evaluation of the achieved results and adequate corrective actions.

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