

PRECONDITIONS FOR PROVIDING EFFICIENCY OF INCOME-EXPENDITURE ACCOUNTING AND ANALYSIS BASED ON INTERNATIONAL STANDARDS

ПЕРЕДУМОВИ ЗАБЕЗПЕЧЕННЯ ЕФЕКТИВНОСТІ ОБЛІКУ ТА АНАЛІЗУ ДОХОДІВ ТА ВИТРАТ НА БАЗІ МІЖНАРОДНИХ СТАНДАРТІВ

This article focuses on the scientific development and substantiation of the prerequisites for the effective application of income-expenditure accounting and analysis tools in the enterprise management system, taking into account the need for the modern enterprises to unify the accounting and analytical practice and actively use international standards, as evidenced by the positive experience of using international accounting standards of the countries, in particular, those of Jordan.

Key words: accounting, analysis, enterprise, income, expenditures, international standards, resources, performance.

В даній статті приділено увагу науковій роботі та обґрунтуванню передумов ефективного застосування інструментарію обліку та аналізу доходів та витрат в системі управління підприємством, зважаючи на необхідність в умовах господарювання сучасних підприємств уніфікувати обліково-аналітичну практику та активно використовувати міжнародні стандарти, про що

свідчить позитивний досвід використання міжнародних стандартів обліку країн світу, зокрема – Йорданії.

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

В даній статті уделено внимание научной разработке и обоснованию предпосылок эффективного применения инструментария учета и анализа доходов и расходов в системе управления предприятием, учитывая необходимость в условиях хозяйствования современных предприятий унифицировать учетно-аналитическую практику и активно использовать международные стандарты, о чем свидетельствует положительный опыт использования международных стандартов учета стран мира, в частности – Иордании.

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

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Problem statement. Globalization processes intensify competition in the markets, which necessitates the dynamic development and improvement of not only industrial and technological but also organizational, economic, and management systems of enterprises, in particular, of the accounting and analytical system. That is why modern domestic enterprises are forced to adapt to new circumstances, which determines the possibilities for their survival, operation, and development.

Incomes and expenditures are two interrelated categories that characterize the financial performance of an enterprise. Each business generates incomes and expenditures that may have different effects on the financial performance. In this context, the justification of business management decisions [13], and especially in managing incomes and expenses of an enterprise as a separate area of management activity, is closely related to accounting and analysis processes [5].

The importance of quality accounting and analysis for making effective decisions by the management of enterprises in Ukraine, especially in the current conditions of dynamic changes in the internal and external environment of enterprises, under the influence of the need to ensure the convenience of perceiving accounting and analytical information by a wide range of stakeholders (owners, investors, including foreign, government supervisory bodies, etc.), determines the need to

find ways to ensure the efficiency of income-expenditure accounting and analysis, one of the most important and most effective of which being, as international practice shows, the use of international standards in the national accounting and analytical practice.

The above circumstances determined the topicality of this scientific paper, outlined its purpose and scientific tasks to be solved in the process of achieving this goal.

Analysis of recent research. In the scientific literature, the issues of income-expenditure accounting and analysis are broadly covered. Special mention should be made of the scientific contributions of the following world-class scientists working on this issue: K. Ward, S. Kaplan, D. Norton.

The work of domestic researchers regarding the problems identified in the work of accounting and analytical support for the activities of the enterprise are also worth noting, in particular, the works of Ye.V. Kaliuga, P.L. Suk, A.A. Pylypenko, A.N. Schemeleva, V.A. Terekhova, F.F. Butynets, V.M. Parkhomenko, M.A. Vakhryshyna, N.V. Valiebniukova, H.H. Kireitsev.

The scientific works of the above-mentioned authors contain the review of scientific thought and authors' scientific solutions concerning the formation and development of an effective accounting and analysis system in Ukraine, where the use of international experience and international standards takes a cru-

cial place. It is necessary to use elements of comparative analysis of accounting and analytical systems of Ukraine and other countries of the world.

In this view, this paper is **aimed at** identifying and characterizing the problems and prerequisites for improving the efficiency of income-expenditure accounting and analysis at enterprises of Ukraine by extending the use of international standards in the domestic accounting and analytical practice.

Achievement of this aim is related to fulfilment of the following tasks:

- Analysis of the advantages of using international standards in the accounting and analytical practice of enterprises of other countries (Jordan); and

- Determination of the priorities of implementation of the international standards in the practice of domestic enterprises, which should increase the efficiency of procedures and use of information from the system of income-expenditure accounting and analysis for making management decisions on the activities of Ukrainian enterprises.

Presentation of the main research material.

Accounting and analysis in the practice of American enterprises have become widespread in the twenties of the last century [11]. At the initial stage of the formation and development of accounting and analytical theory and practice, accounting and analysis were oriented, mainly, to the accounting of expenditures necessary for the economic activity of an enterprise.

Expenditures have become one of the main economic categories. There was a need to harmonize their essence, as a result, international accounting standards define this category as «...reducing the economic benefits during the fiscal year, or reducing the value of assets or liabilities, which leads to a decrease in the value of capital, except for the distribution capital of shareholders» [8]. Expenditures are expressed in the consumption of monetary assets, external services, labour, and are also related to the conduct of business at a certain time in order to obtain economic benefits. On this basis, the following attributes of expenditures can be determined: their value is reliably determined during the reporting period and their occurrence is associated with a probable decrease in economic benefits.

According to the world practice, expenditures may be incurred either as a decrease in assets or an increase in the value of liabilities, which causes a reduction in capital or an increase in the deficit in a way other than the withdrawal of funds by shareholders or owners.

The evolution of accounting and analysis towards increased functional content of its tools in accordance with the needs of management is characterized by the formation of ways to meet the needs of presentation and interpretation of the information used in the information management in order to:

- Plan and control the enterprise activity;

- Make decisions at the enterprise;
- Optimize resource consumption and asset conservation.

The International Federation of Accountants, IFAC has formed International Recommendations on the practice of Assessing and Improving Management in Organizations. These recommendations specify the following areas of the enterprise activity, in which the accounting and analysis tools should be applied:

- establishment of strategic directions of activity;
- ensuring achievement of goals of the enterprise;
- ensuring controllability of risks in the activity of the enterprise;

- confirmation of rational resource consumption.

In this context, expenditure accounting and analysis becomes not a self-sufficient system but an element of the income-expenditure accounting and analysis, where an important aspect of forming information crucial for the company's management is matching of dynamics and size of income and expenditure.

An important aspect of developing the practice of income-expenditure accounting and analysis in the modern practice is the harmonization and dissemination of International Financial Reporting Standards (IFRS), where standardized accounting and analytical elements occupy a worthy place. In order to improve and bring international accounting records closer, in 1973, accounting and auditing organizations from a number of countries created an international non-profit organization, the International Accounting Standards Committee, the IASC, which developed and implemented International Accounting Standards (IAS). As a part of the reorganization, this Committee was transformed into the International Financial Reporting Standards Board in 2001, which has been adopting International Financial Reporting Standards (IFRS) standards since 2001 [6].

An important breakthrough in the standardization of international reporting systems has been the European Commission Decision of 2002, according to which, since 2005, all companies with shares listed on European exchanges prepare consolidated statements under IFRS. Currently, International Financial Reporting Standards are adopted as binding in several European countries.

In September 2002, the Norfolk Agreement was also concluded, under which the International Financial Reporting Council and the Accounting Standards Board adopted a memorandum on convergence between IFRS and US GAAP (US National Accounting Standards) [3], based on which since 2009 the requirement to reconcile IFRS accounting with US GAAP was cancelled and the gradual transition of American business to IFRS was provided for. However, in February 2011, the introduction of IFRS in US reporting was postponed.

As concerns decreasing importance, to date there is a hierarchy of international standards, which in var-

ying degrees relate to income-expenditure accounting and analysis:

- IFRS and IAS, including all annexes that are a part of the standards;
- Interpretations of the International Financial Reporting Standards (IFRIC) and SIC;
- Annexes to IFRS that are not a part of the standards;
- Implementation Recommendations, prepared by the International Financial Reporting Standards Council.

The use of the experience of specific countries, where, at the state level, international standards of financial reporting are determined to be the main and official standards, is interesting in determining the prerequisites for improving the efficiency of accounting and analytical activities in the area of income-expenditure management of Ukrainian enterprises. One of these countries is Jordan.

The Jordanian market is considered one of the most developed Arab markets outside the Gulf countries. Jordan is ranked 18th in the world by the Retail Trade Index and is among the 30 most attractive retail markets in the world [14].

Jordan is by most criteria a free economic zone (it has special zones in its territory with tax and business relief), in this regard accounting and analytical activity of enterprises in this country should be as convenient as possible and unified with the activities of foreign companies and the practice of investors and owners who have chosen Jordan as the country of formal place for basing business. That is why the selection of IFRS as a basis for accounting and analytical practices by the Jordanian government is well-founded, feasible and, as practice shows, an effective step.

In accordance with the Jordanian Companies Law No. 22 of 1997, public joint stock companies, general partnerships, limited partnerships, limited liability companies, private equity companies, and foreign companies operating in Jordan are required to prepare annual audited financial statements in accordance with IFRS.

Consequently, all companies incorporated under this Law must keep records and submit annual audited financial statements in accordance with IFRS. The said Law also requires consideration of an annual auditing report at the Annual General Meeting.

The peculiarity of accounting and analytical activity in Jordan is the requirement concerning the auditor's activity as an independent (relatively) figure in the accounting and analytical process: auditors, under the law, are elected for one year with the possibility of continuation. This allows ensuring a professional approach to the reporting process through the mandatory need to provide this process with qualified auditors [10].

The activities of the auditor are estimated by the company's shareholders, which should decide at the

Annual General Meeting on the appointment of a new auditor or the renewal of the current authority.

The above Law and recommendations on disclosure of information, conducting an audit under the International Accounting Standards (1/1998) is the basis for the activities of all companies operating in Jordan without exception; at the same time, it is noted in the recommendations state that in the event of a conflict between the requirements of international standards and local laws, the latter is prevalent.

Jordanian companies must provide explanations of the decisions made that affect income and expenditures of these companies, using the reporting data, if they significantly affect the balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements.

The Jordanian Securities Commission requires all listed companies to submit a copy of their annual audited financial statements within 90 days of the end of the fiscal year, as well as the interim semi-annual financial statements within 30 days of the middle of the year.

The Companies Law requires companies of all forms of ownership operating in Jordan, regardless of whether their securities are quoted or not quoted in the securities market (as opposed to the EU) to comply with internationally recognized accounting principles and standards. Therefore, all companies in Jordan are required to comply with the requirements of IFRS. For Jordan's small and medium-sized businesses, there are no special rules as regards IFRS [12].

Analysing the effectiveness of the step towards the implementation of IFRS in Jordan in the context of the country's development problems (a significant number of refugees from neighbouring countries in need of support, limited natural resources and almost 100% dependence on imports of energy carriers, etc.), it can be stated that this step is one of the attempts to form the country's competitive advantage in the international business environment, aimed at attracting foreign investment and foreign companies to the country due to the convenience and ease of doing business.

The indicated factor may be relevant for Ukraine too, which also has certain strategic problems of development, for which the openness of the economy for foreign investors, the convenience of doing business, the ease of obtaining information about the activities of domestic enterprises that can be potential investment objects are extremely important factors in the competitiveness of the international business environment. Although the legislative implementation of the IFRS into the domestic accounting system began almost simultaneously with Jordan, in 1998 (with the adoption of the Government Program for reforming the system of accounting with the application of IAS), to date, the international standards have almost not become widespread in domestic

accounting and analytical practice, in particular, with regard to income-expenditure accounting and analysis of enterprises.

In 2010, by the Decision of the Securities and Stock Market State Commission No. 981 on 22.06.2010, the «Procedure for Filling in Forms of Disclosure of Information and Changes Thereto by Issuers of Shares and Bonds of Companies that are Listed by the Trade Institutor» was introduced from 01.01.2011, according to which: «Public joint stock companies disclose additional information about their activities on the basis of international accounting standards.»

In June 2011, amendments to the Law «On Accounting and Financial Reporting in Ukraine» were implemented, according to which public joint stock companies and financial institutions should submit reports in accordance with IFRS. These changes took effect in 2012 [2].

At the same time, the spread of IFRS in the practice of Ukrainian enterprises involves a number of problems. One of them is the inconsistency of the regulatory framework. In Jordan, the implementation and functioning of IFRS are governed by a single law and regulations subordinate to it. But in Ukraine, in particular, Art. 12-1 of the Law «On Accounting» states: «...for the formation of financial statements, international standards should be applied if they do not contradict this Law and are posted on the website of the Ministry of Finance of Ukraine» [3]. Given the above, the problem is the need to subordinate international rules and standards to the domestic ones, that is, IFRS simultaneously become a sub-system of duplicating accounting and analytical information, however, there is no expected dynamic spread of IFRS in Ukraine so far, especially at the level of medium and small enterprises [1]. The preconditions for activating this process are laid down in determining the key benefits of applying IFRS in the practice of enterprises and recognizing these benefits at the state level and at the level of individual enterprises. According to the author of this paper, such benefits include the creation of additional opportunities in the process of applying IFRS for increasing the efficiency of doing business through [4; 7]:

- Diversification of sources of capital (attraction of investment by facilitating the perception of information about the company's activities by foreign investors);

- Increase in the efficiency of using information to make managerial decisions;

- Ensuring comparability of reporting with other organizations, regardless of which country they are resident and in which territory they carry out business activities;

- Growth of trust of potential partners to work in Ukraine;

- Increasing the transparency of information provided by complying with the rules for preparing it in accordance with IFRS.

Thus, in the context of modern conditions and trends of the Ukrainian economy, it is possible to create a list of prerequisites that, to a certain extent, determine at this stage the effectiveness of organization of income-expenditure accounting and analysis on the basis of international standards (Figure 1).

One of the main results of applying an effective income-expenditure accounting and analysis system based on IFRS is obtaining the analytical information necessary for the substantiation and approval of management decisions at the enterprise with a view of further improving its activity in a long-term. Such a system can become a flexible tool for stimulating the development of Ukrainian enterprises, which will combine the latest information technology, approaches, and tools of managerial accounting and strategic management.

Conclusions and prospects for further research. An important trend in the management of companies in recent years is their orientation towards the company's strategy. Accounting and control have become increasingly adapted to the needs of strategic management.

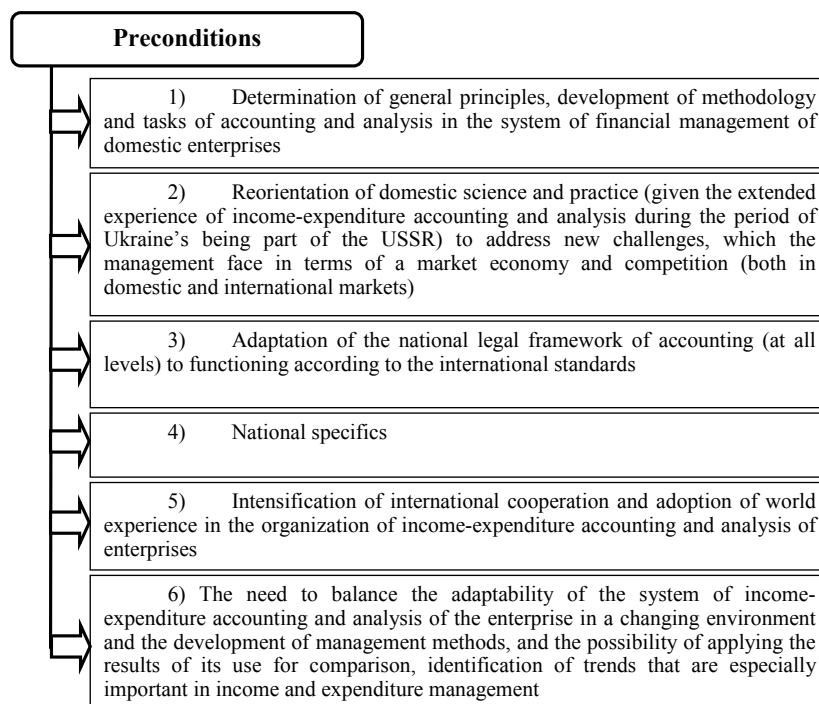


Fig. 1. Preconditions for ensuring the efficiency of income-expenditure accounting and analysis on the basis of international standards

Source: composed by the author

The use of the international standards of income-expenditure accounting and analysis by Ukrainian enterprises creates opportunities for solving a certain list of problems described herein, which allows improving the efficiency of accounting and analysis procedures at the level of a particular enterprise on the basis of progressive approaches from the world practice, as well as formulating the preconditions of the organization of income-expenditure accounting and analysis based on IFRS in Ukraine.

Taking into account the importance of intensifying efforts at the government level, as well as at the level of a specific enterprise aimed at improving accounting and analytical activities, regarding the most effective implementation of these prerequisites will create opportunities for implementing the key benefits of the application of IFRS in the practice of Ukrainian enterprises.

Prospects for further research in this area are the development of recommendations for improving the procedure and tools for spreading international standards in domestic accounting and analytical practice.

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