

New Requirements to the Control of the Maintenance of Accounting Records of the Company in the Conditions of the Economic Insecurity

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Abstract: The study considers the new requirements to the control by means of using the reliable financial accounting of a company. The methodological framework of this study is the dialectic method, the system approach to analysis of the facts and phenomena being considered. The main results of the study were reported and discussed at the research and practice conferences of the international, All-Russia, regional levels. The methodological provisions of the study are used by the researchers within the education process by teaching the economic disciplines. The conclusions drawn as a result of the study may serve as the methodological framework for design of the integrated programs of assuring the financial stability of companies by design of the system of the continuous operating controlling of the efficiency of utilization of the resources available.

Key words: Accounting (financial) statements, external and internal users of the financial accounting, control of the financial standing of a company, balance sheet, requirements to information

INTRODUCTION

In the conditions of the economic insecurity, the significance of the reliable and objective financial accounting rises sharply as the assessment of its figures allows identifying the actual material and financial standing of a company. The financial accounting is the unified system of information about the material and financial standing of a company as of the reporting date and about its performance during the reporting period composed on the basis of the financial accounting data in order to provide, the external and internal users with the summarized information about the financial standing of the company in the form that is convenient and clear for making of certain business decisions by these users. In this case, the financial accounting acts as the set of the reporting forms made on the basis of the financial accounting data in order to provide the external and internal users with the summarized information about the financial standing of the company for making of the certain managerial decisions.

The object under control is the money-distribution processes by formation and utilization of the financial and material resources including in the form of the cash funds. At the same time, it is the financial accounting that allows estimating the cost of the property, the stocks, the own and borrowed assets of the company. Based on the financial accounting figures one may identify the excess

or lack of sources of funds for formation of the working capital of the company, i.e., the supply of the company with the proprietary and borrowed sources is determined.

MATERIALS AND METHODS

Procedure: The methodological framework of this study is the dialectic method, the system approach to analysis of the facts and phenomena being considered. The study is based on the wide use of the methods of analysis, systemacity and complexity, factor analysis as well as methods of the structural-functional, statistical analysis. The specified methods were used in different combinations at different stages depending on the goals set and tasks solved which promoted to assuring the reliability of the analysis performed and substantiation of conclusions drawn by the researchers.

One of the main prerequisites of development of the modern national economy, its elements in the form of the economic entities, infrastructure and executive authorities is the presence of operational information meeting a number of requirements that allows making the reasoned managerial decisions. Historically by the use of the retrospective analysis method it has been proved that such information may be provided by the financial accounting statements only (Shamanskaya, 2011).

The financial statements are divided into the categories by three main features. This classification is presented in Fig. 1.

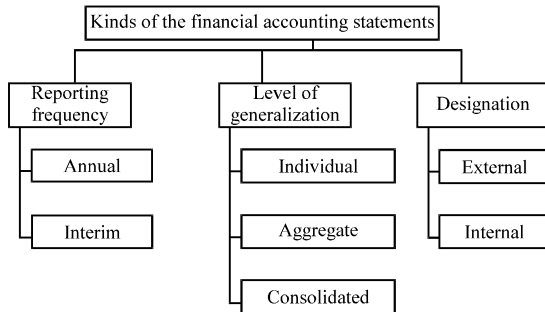


Fig. 1: Classification of the financial accounting statements of a company

By the kind of information reporting is divided into the accounting, statistical, operating and tax one. The financial accounting is the unified system of information about the material and financial standing of a company and about its performance based on the financial statements made according to the approved forms (Sukharev, 2013). Statistical accounting is the set of reports by the companies, enterprises, organizations made according to the approved forms that shall be submitted to the regional statistical authorities within the specified term. The statistical accounting allows estimating the statistical indicators of the financial-economic activity of industries, regions and the state by consolidating the performance indicators of separate links of the economy (Cherevatskaya, 2014). The operating accounting is made on the basis of the operational records and contains information about the main indicators for short periods of time a day, 5 days, a week, 10 days. The tax reporting of a company is the system of information about the income and expenditures for calculation of the taxable base on the basis of these primary documents grouped according to the procedure provided for by the Tax Code of the Russian Federation (Dzyuba, 2014). The tax reporting represents the system of information about the tax liabilities of a taxpayer obtained from financial and fiscal accounting of a company (Vakhorina, 2014).

In order to satisfy the general needs of the users interested in the financial accounting the information about the financial standing of an economic entity, its financial performance and cash flow is being formed. As is known, information about the financial standing of an economic entity is formed primarily in the form of a balance sheet, the information about the financial performance of a company in the form of a statement of financial results and the information about changes in the financial standing of the company in the form of the cash flow statement. The completeness of information about the financial standing of a company, its financial

performance and cash flow is ensured by the set of the specified reports and a number of additional indicators and relevant comments.

RESULTS

The total number of users of financial accounts is divided into two big groups: external and internal users. The list of users is presented in Fig. 2.

Each group includes the users with the similar features and accordingly, purposes for which they use of the financial accounts. The financial accounts are of interest for two groups of external users:

- Directly interested in the activity of the company (existing and potential owners of the company, creditors, suppliers and customers, the state (represented by the tax authorities), employees of the company)
- Not directly interested in the activity of the company (auditor services; financial counsellors; stock exchange; legislative authorities; legal professionals; press and information agencies; trade and industrial associations; trade unions) (Vakhorina, 2014)

The first group includes the following external users:

- Shareholders, founders, limited partners, existing and potential owners of the company funds that need to establish the increase or reduction of the share of the own funds and evaluate the efficiency of the resource utilization by the management of the company
- Existing and potential creditors using the financial statements for consideration of expediency of granting or prolonging a credit, specification of the credit terms and ensuring the repayment of a credit, estimation of the enterprise creditability as a customer
- Governmental and municipal regulatory authorities
- Suppliers and customers establishing business contacts with a customer
- Stock exchanges assessing the information presented in the accounting records by registration of the relevant companies, making decisions as to the necessity of changes in the accounting and preparation of reporting
- Employees needing the accounting information for fulfillment of the contract terms (Osadchiy, 2009)
- Press and information agencies that need accounting for preparation of reviews, estimation of the development trends and analysis of activity of particular companies and industries, estimation of the resulting indicators of the financial activity

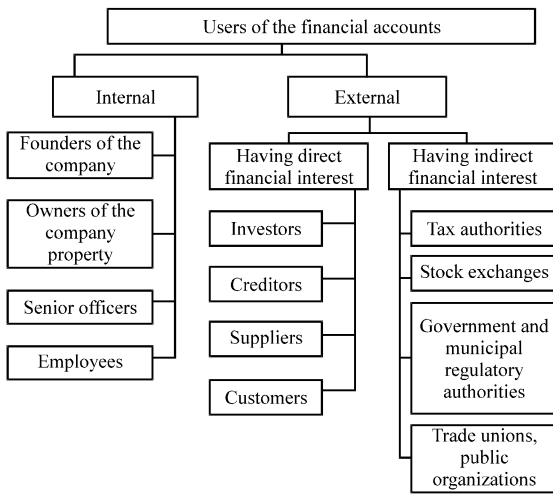


Fig. 2: Classification of users of the financial accounts of a company

- Trade and industrial associations using the accounting for statistical generalization by industries and for comparative analysis and assessment of performance at the industrial level
- Trade unions interested in the accounting information for specification of their requirements as to the wages and terms of labor contracts as well as for evaluation of the trends of development of the industry a particular enterprise refers to (Slobodnyak, 2011)

The second group consists of the internal users:

- Top management of the company
- Managers of the relevant levels that estimated by the financial accounts the demand for financial resources, correctness of the investment decisions made and efficiency of the capital structure, set the main trends of the dividend policy, up make the pro forma statements and perform the preliminary calculations of the up-coming reporting periods, assess the possibilities of merging with another company or the purchase thereof, structural reorganization of a company
- All the organization departments (branches, etc.) (Lagovskaya, 2012)

The scope of the procedures of the financial accounting control depends on the scale of production, the degree of its complexity, peculiarities of the kinds and areas of the company activity, specifics of the accounting records maintenance. This is why, it is necessary to specify the comprehensive list of contractors, the

structure of resources utilized, the of equipment broken down by separate items, the procedure of the quality control and protection of the computer data concerning the financial statements of a company (Sosina, 2009).

The internal control system is necessary in order to assure the owners and chief executives of the organization in the legitimacy of the business transactions performed, reliability and completeness of the presented information, integrity and confidentiality of the data obtained from the financial statements of an economic entity. In this case, the well-adjusted system of control in the sphere of accounting based on application of different methods of maintenance, thereof is aimed at removing the shortcomings in the enterprise operation and disabling conduct of illegal actions as well as preventing the decrease in the performance of an economic entity (Romanova, 2010).

Thus, the financial accounting is the information framework of the financial analysis the results of which are used for managing the financial and economic activity of the company, assessment of efficiency of its management for selection of the capital investment trends. On the basis of the financial accounts that interested users analyze the material and financial standing of the company, its financial solvency, financial results. Therefore, the financial accounting allows satisfying the primary information needs of all the groups of users which sets special requirements to its structure and procedure of formation.

DISCUSSION

Economic essence and structure of the financial statements of a company: The annual financial statements include the following forms:

- Balance sheet
- Statement of financial results
- Statement of changes in equity
- Cash flow statement
- Notes to the balance sheet and statement of financial results (Bushuev, 2013)

The financial accounting as the unified system of information about the financial standing of a company, financial results of its activity and changes in its financial standing is made on the basis of the financial accounting data (Table 1).

The small enterprises having no obligation to perform the audit of reliability of the financial statements according to the legislation of the Russian Federation may at their own discretion submit the abridged version of the

Table 1: The economic essence and structure of the financial statements of a company

Structure	Economic essence
Balance sheet	Presents the company funds by kinds of property and by sources of formation
Statement of financial results	Contains information about the financial results of the company's activity
Statement of changes in equity	Reveals the information about the presence and changes of ethnicity of an economic entity
Cash flow statement	Considers acquisition and disposal of funds by the kinds of the company's activity
Notes to the balance sheet and statement of financial results	Presents information about the presence and flow of borrowed funds, presence of the receivables and payables, fixed and intangible assets, financial investments, expenditures by the ordinary activities of an economic entity

financial statements. They may provide the financial statements to the extent covering the figures by the balance sheet items and the statement of financial results without additional breakdown within the specified forms. At the same time, they may not submit as part of the financial statements the statement of changes in equity, the cash flow statement and the notes to the balance sheet and statement of financial results (Dzyuba, 2014).

Non-commercial organizations may not submit as part of the financial statements the statement of changes in equity, the cash flow statement and the notes to the balance sheet and statement of financial results upon absence of the relevant data. It is advised to non-commercial organizations to include in the financial statements the report on the proper use of funds received (Kuzmin, 2012).

In the foreign practice, the statement of financial results may feature a single-step form when all the receipts and expenditures are grouped separately and the net profit makes the difference between them and the multi-step form when the net profit is obtained by means of successive calculations. The multi-step form is being currently used in the Russian Federation. At the stages of formation of accounting and regulation of implementation of managerial decisions, it is necessary to perform control of the accuracy of implementation of the already made decisions for achievement of the desired financial results. This is why, at the stage of preparation of the financial statements it is necessary to assure control of the presence and flow of the entire asserts: the rational utilization of resources, the status of redeemed and received liabilities, the appropriateness and legality of the business transactions performed by a company.

Requirements to information formed within the financial statements: The Requirements to information formed within the financial statements are set by the Accounting Law, Accounting Regulations 4/99: reliability and completeness, neutrality, integrity, consistency, comparability, compliance with the reporting period, correctness of execution (Fig. 3).

Thus, the economic entities need to improve the existing and regularly applied requirements of the internal accounting control system for the purpose of timely

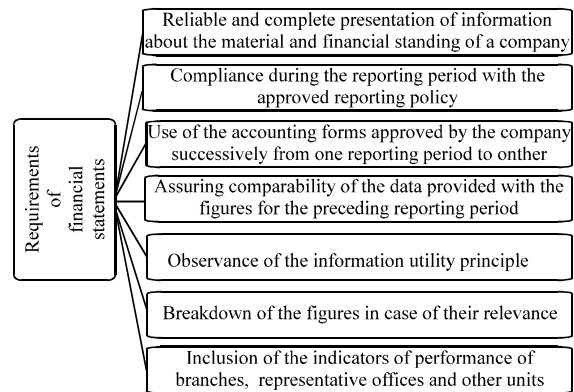


Fig. 3: Requirements to financial statements of a company

detection and correction of errors and preventing the occurrence thereof. In many organizations, the control of the accounting accuracy is performed by each employee independently by the accounting item he keeps (Sviridova, 2009), i.e., the accountant performs the control of the correctness of fulfillment of his obligations which however, does not exclude the omission of errors and misstatements in the accounting. The problem may be solved by means of creation of the internal control system within the organization. Although, creation of such service will result in increase in the company expenditures this increase will be justified (Kistereva, 2013).

Since, the purpose of creation of the internal control service is protection of interests of the top management of the company, ensuring the necessary level of solvency and accounting liquidity, stability of the financial standing of a company and minimization of business risks as well as enhancement of the efficiency of the internal control system. The internal control in the companies is an important component of the modern management system that allows achieving the goals set at the minimum cost (Marchenkova, 2010).

This proposal is necessary for financial accounting of a company which enables the financial department to: analyze the revenues by each unit to carry out separate analysis of the revenue and expenses structure, perform analysis of the performance indices, forecast the change of revenues depending on changes in the volumes of sales by each separate subdivision and the company in whole. The results of analysis of the profit and

profitability will also depend on organization of the separate accounting of the constant and variable costs, implementation of the budgeting system at the enterprise. Integration of this proposal slows using the information by the strategic prospective analysis of the financial results of the company's activity.

Guidelines for making of the financial statements of a company: By controlling the accuracy of filling in the financial statements the main indicators shall be reconciled: reconciliation of the balance sheet and the statement of the financial results of an economic entity:

Retained profit (pending loss) as of the end of the reporting period in the balance sheet shall be equal to the net profit (loss) amount for the reporting period in the statement of the financial results

Reconciliation of the balance sheet and the cash flow consists in matching the information about changes of cash assets in the balance sheet with the information in the statement of cash flow in the economic entity (Cherevatskaya, 2015).

Reconciliation of the balance sheet and the notes to the balance sheet and statement of financial results consists in matching the following figures:

- The cost of the fixed assets in the balance sheet of the company and the difference between the original cost thereof (Section 2 "Fixed assets" of the notes to the balance sheet and statement of financial results) and the accrued depreciation
- The cost of financial investments in the balance sheet of the company and the cost of the long-term and short-term financial investments in the notes to the balance sheet and statement of financial results
- The receivables amount in the balance sheet and the amount of the long-term and short-term receivables (Section 5 "Receivables and payables" of the notes to the balance sheet and statement of financial results)
- The amounts of the payables in the balance sheet and the amount of the long-term and short-term receivables (Section 5 "Receivables and payables" of the notes to the balance sheet and statement of financial results) (Nikolayeva, 2013)

According to the Paragraph 5 Art. 15 of the Federal Law "Concerning Accounting" the financial statements may be provided to a user:

- By the company itself
- Though a representative of a company

- As a postal item accompanied by the list of enclosures
- Through telecommunication channels (Goryacheva, 2011)

All the receipts and expenditures in the statement of financial results are grouped by:

- Receipts and expenditures by ordinary kinds of the company's activity
- Other receipts and expenditures of an economic entity

By formation of the statement of financial results the accounting and taxation principles shall be taken into account. All around the world, the information about formation and disposition of profits is considered as the major part of the accounting statements of a company supplementing and enhancing information presented in the balance in the form of the finalized results only.

A user of the financial statements may not reject accepting the accounting statements and is obliged upon the company's request to put a mark on the copy of the financial statements about the acceptance and the date of submission thereof. Upon receipt of the financial statements through the telecommunication channels a user of the accounting statements shall control the forwarding to the company the acknowledgment of receipt in the electronic form. Each of the earlier mentioned methods of the report delivery features its advantages and disadvantages (Rakhova, 2010).

The financial accounting is the information framework for analysis of the financial and economic activity of the company for assessment of efficiency of its management. On the basis of the financial accounts that interested users analyze the material and financial standing of the company, its financial solvency, financial results (Osadchiy, 2009).

In order to improve, the financial statements it may be proposed to prepare them according to the international accounting standards. The companies currently need this proposal as the recent years are characterized by the increased attention to the issues of the international unification of the accounting system. The development of the company's activity is accompanied by the increased role of the international integration in the economic sphere, sets certain requirements to the uniformity and clearness of the principles of formation and algorithms of calculation of profit, tax base, investment terms and capitalization of the funds earned. Many Western investors suggest that the Russian accounting system does not comply with the international standards; the

financial statements of the Russian companies do not represent their actual material and financial standing and are non-transparent and unreliable.

In order to solve all of these issues, it is required that the primary documents and statements include only the required data determined by the reporting form and requests of the subject of control. The reports formed within the financial and management accounting shall also provide an objective view of an economic entity in whole and its structural subdivisions. The management of the company shall continuously monitor the maintenance of the internal control system at the proper level. For this purpose, the following requirements shall be met: the computer programs performing the automated processing of the accounting information shall not be fraudulent; only the owners or the authorized persons shall dispose of the company assets; any deviations from the applicable law, standards and schedules shall be timely detected and analyzed; the accounting information required for evaluation of the situation on the ground shall be timely forwarded to managers authorized to take the managerial decisions in a targeted way.

Summary: The following actions may be recommended for implementation in order to improve the information value the financial statements of an economic entity as well as to improve its financial standing.

To add to the statement of financial results additional indicators presenting the receipts and expenditures of a company, i.e. to specify in the item "Receipts from the sale of products" in the item "Receipts from the works, services", accordingly to distribute the cost of the products and services sold between the following items: "Cost of goods sold", "Cost of the works performed"; "Cost of services rendered".

For retirement of the receivables by the item "Overdue receivables" of the notes to the balance sheet and statement of the financial results it is necessary to add the indicator for ranking the receivables by the main debtors for the purpose of analysis of the company's relationships with the payers and their solvency.

In addition to the notes to the balance sheet and statement of financial results it is recommended to make the balance sheet and the statement of financial results in extensive form broken down by the separate subdivisions. The extensive form of the statement of financial results represents the standard statement of financial results supplemented by additional lines and classifying each indicator by each separate subdivision of a company.

It is proposed to ensure that compatibility of the figures of the reporting and preceding periods by means of adjusting them by the inflation rate. Inflation may

significantly affect the opinion of the interested accounting users in terms of the following items: the information about the company's revenues, expenditures, assets is distorted; the wrong idea of the company's performance is formed due to the increase in the income measure related to the inflation processes; the reality of such indicators as solvency, profitability and other data becomes questionable; gaining of the specific profit from the long-term raising of debt funds by means of depreciation, thereof as the result of inflation; accrual of the specific additional costs by redeployment of funds (to receivables, loans) for a relatively long term by means of depreciation thereof as the result of inflation.

Transformation of the balance sheet of a company according to the international accounting standards. The transformation does not require the obligatory availability of the dedicated programs and may be performed with the use of the electronic worksheets for example, MS Excel. In order to transformation, it is necessary to develop the general strategy that may appear as follows: Firstly, the discrepancies in the accounting by the Russian and international standards are detected. For this purpose, it is needed to perform in particular:

- The stock count as of the reporting date during the process of which their market value is determined
- The inventory of receivables for the purpose of estimation of allowance for bad and doubtful debts
- Fixed asset count for determination of their net market value and depreciation caused by the moral and physical wear of the operating assets

Secondly, the adjusting entries are made and the chart of accounts is brought into accordance with the chart of accounts pursuant to the international standards.

Thirdly, the transformation model is designed, the set of electronic worksheets in which the figures of the Russian accounting, the adjustments and the resulting international accounting data are entered. Fourthly, the reclassification entries are created which suggest transition of the already adjusted balance from the Russian chart of accounts to the chart of accounts according to the international standards. Fifthly, the transformed statements are made. The benefits of transformation:

- The possibility to automate the directly during the transformation regardless of accounting software used in the company the unified forms of the Russian accounting are used that are linked directly to the reporting forms according to the International Accounting Standards

- Saving of time and labor efforts
- Transparent adjustment system the adjustment entries are clearly presented in the statements immediately

CONCLUSION

For avoidance of further errors in the financial statements of companies in the conditions of the economic insecurity it is recommended to improve the capabilities of the internal accounting control system for the purpose of the timely detection and correction of such errors and prevention of such distortions. In many organizations, the control of the accounting accuracy is performed by each employee independently by the accounting item he keeps. The problem may be solved by means of creation of the internal control system within the organization. Although, creation of such service will result in increase in the company expenditures this increase will be justified. Since, the purpose of creation of the internal control service is protection of interests of the top management of the company, ensuring the necessary level of solvency and accounting liquidity, stability of the financial standing of a company and minimization of business risks as well as enhancement of the efficiency of the internal control system.

During the period of economic insecurity in order to fulfill the new requirements to control of the financial accounting maintenance and improvement of its information value as well as in order to improve of the financial standing of a company the following measures were proposed.

In order to improve the indicators of the company balance sheets it is proposed to ensure comparability of data of the reporting and preceding periods by means of adjusting them by the inflation rate. Inflation may significantly affect the opinion of the interested accounting users in terms of the following items:

- The information about the company's revenues, expenditures, assets is distorted
- The wrong idea of the company's performance is formed due to the increase in the income measure related to the inflation processes
- The reality of such indicators as solvency, profitability and other data becomes questionable
- Gaining of the specific profit from the long-term raising of debt funds by means of depreciation thereof as the result of inflation
- Accrual of the specific additional costs by redeployment of funds (to receivables, loans) for a relatively long term by means of depreciation thereof as the result of inflation

Itemization of the receipts from the sale of products as well as separate breakdown of the revenues for the works performed and services rendered, thus by the item "Revenue" of the statement of financial results to present the revenue from the sale of products and to add to the statement of financial results additional items to distribute the cost of the products and services sold between the following items: "Cost of goods sold", "Cost of the works performed"; "Cost of services rendered".

In addition to the notes to the balance sheet and statement of financial results it is recommended to make the balance sheet and the statement of financial results in extensive form broken down by the separate subdivisions with the specific degree of the center control of the profit and liability.

For retirement of the receivables by the item "Overdue receivables" of the notes to the balance sheet and statement of the financial results it is necessary to add the indicator for ranking the receivables by the main debtors for the purpose of analysis of the company's relationships with the payers and their solvency.

IMPLEMENTATIONS

Implementation of the proposed measures will enhance the quality of the accounting activity of an economic entity.

Implementation of the proposed measures will enhance the quality of the accounting activity of the entities under consideration.

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