Issues of Drafting Analysis of Corporate Reporting Based on International Financial Reporting Standards

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Abstract- **International Financial Reporting Standards are generally accepted standards, which are aimed at compiling and presenting financial statements at the international level. Implementation of the company's activities assumes the essentiality to summarize current accounting data, sum up the results, determine and evaluate the results of this performance at the end of the reporting period. This fact is ensured by the preparation of the company's reporting, which is an interconnected system of generalizing indicators that provide quantitative and qualitative characteristics of the results of the production and economic life of the company for the reporting period. It should be noted that corporate reporting is a set of reports that provide a reliable and complete idea of the economic potential and development trends of the corporation in the surrounding market environment. Explanations to corporate reporting include a brief description of the company, analytical conclusions about the results of the financial and economic activities of the company with references to the methods used in the analysis, as well as reflect the accounting policy and its changes for the next reporting period. The wording of the explanations may include graphs, diagrams, and tables. The explanations are aimed atto reflecting the data about extraordinary facts of economic life and their consequences, about events after the reporting date and conditional facts of economic life, as well as about related parties, discontinued activities, and environmental protection measures, etc.**

Keywords: Accounting, corporate accounting, consolidated corporate reporting, international financial reporting standards, fair value, accounting policies, financial statements, financial results.

1. INTRODUCTION

The core provisions for the presentation of general-purpose corporate reporting to ensure its comparability with the reporting of previous periods and other companies are disclosed by National Accounting Standard 1 (NAS 1) "Accounting Policies and Financial Reporting". NAS 1 contains general requirements for presentation of financial statements, recommendations for their structure and minimum requirements for their content. Recognition, measurement and disclosure of certain economic facts and events are considered in other NAS and IFRS as well.

In our opinion, NAS 1 must be applied on a mandatory basis to all general purpose corporate financial statements that are prepared in accordance with IFRS and which aim is not to disclose the data tailored to specific user requests. Corporate reporting should provide the information about the financial position, financial performance and cash flows of the company that is useful to a wide range of users in the process of making economic decisions.

2. LITERATURE REVIEW

The board of directors or other governing body of the company is responsible for preparation and presentation of corporate reporting.

NAS 1 determines a complete set of financial statements: balance sheet; Profits and Losses Report; statement of changes in capital; statement on cash flow; accounting policies and notes that are normally presented by way of explanation to the financial statements that constitute an their integral part.

In accordance with IAS1corporate reporting does not include an auditor's report, but public corporate reporting compiled in accordance with international standards usually contains an auditor's report.

Fair presentation implies that corporate financial reporting must present fairly financial position, financial performance and cash flows of the company.

Fair presentation involves selecting accounting policies, presenting the information that is relevant, reliable, comparable and understandable, as well as providing additional disclosures to enable users to understand the impact of business facts on the company's financial position and financial performance.

3. ANALYSIS AND RESULTS

Compliance with IFRS means that the company's corporate reporting complies with the requirements of the standards, interpretations and guidelines for compiling and presenting financial reporting. Corporate reporting implies a compulsory clear and unqualified statement of such compliance. The fact of early application of IFRS (before entry into force) must be disclosed. Fair and reliable disclosure requires detailed indication of any deviation from IFRS and its impact on corporate reporting.

NAS 1 does not specify the order or format in which items should be presented in corporate reporting, but determined a minimum list of items for each reporting form.

The balance sheet provides the data on the financial position of the company as of certain date and is considered one of the compulsory forms of reporting. The company's decision may set a vertical or horizontal balance sheet format. NAS 1 recommends (but does not require) the classification of balance sheet elements into current and long-term.

One of the reports representing changes in financial position is the statement of changes in equity, which is a separate form of financial reporting. Changes in the company's equity for the reporting period reflect the increase or decrease in its net assets for the same period. Notes (explanations) to corporate reporting constitute an integral part thereto, and therefore NAS 1 and other IFRS also impose requirements for this part of the financial reporting.

It should be noted that notes to a company's corporate reporting must reflect the following data:

- the basis for preparing corporate reporting and the specific accounting policies selected and applied for material transactions and events;
- the facts required by the standards, which are not presented elsewhere in corporate reporting;
- the facts, which are not presented in the corporate reporting itself, but is necessary for a reliable presentation.

Notes to corporate accounts should be presented in the ordered and well-structured sequence. The order of notes to items in corporate reporting must correspond to the order in which they are reflected in the reports. Reference should be made to any relevant data in the notes for each line item in the balance sheet and statement of cash flows.

With the aim of ensuring accurate understanding of corporate reporting, the accounting policies section in the notes to the corporate statements should contain the following aspects:

- valuation methods used in the corporate reporting preparation;
- specific accounting policy issues that are of a material nature;

From our point of view, each company considers the nature of its operations and develops accounting policies that most adequately reflect the company's activities. For example, private companies are expected to disclose accounting policies for income taxes, including deferred taxes and tax assets.Например, предполагается, чточастные. When a company has overseas operations or foreign currency transactions, accounting policies are expected to be disclosed to recognize foreign exchange gains and losses and to hedge such differences. The consolidated corporate statements disclose the policies applied with respect to goodwill and minority interest. When a company has overseas operations or foreign currency transactions, accounting policies are expected to be disclosed to recognize foreign exchange gains andlosses and to hedge such differences. The consolidated corporate reporting discloses the policies applied with respect to goodwill and minority share.

European companies practice provision of information about the company's contribution to improving the welfare of the economy, including paying salaries employees, pensions, etc., paying taxes, interest on loans and borrowings, reinvestment. The aim of this report is to demonstrate the socio-economic positivity of the company's performance, its usefulness for society as a whole in terms of providing employment to a certain part of the population, rewarding investors and lenders for the risk of investing capital, as well as replenishing budgets at all levels. The report reflects the basic philosophical idea of business, which implies, that is a company should mean more to the community than the accumulation of profits. The goal of the contribution of business to the socio-economic development of the community is becoming legal and recognized in most countries of the world.

The transition to IFRS in our country raises a number of additional problems, one of which is assessment of assets and liabilities in corporate financial reporting.

The principles of preparation and compilation of financial statements presented in IFRS envisage the use of various methods for assessing the elements of financial reporting. Assets can be valued at actual acquisition cost, at replacement cost, at possible sales price, or at discounted cost. Traditional principle is the use of historical cost (actual cost) of assets, which can change over time, and make a significant impact on the reporting reliability.

The development of capital markets, acquisitions and purchases and sales of corporations as single property

complexes contributed to the emergence of the “fair value” concept. IFRS defines fair value as the amount for which an asset could be exchanged in an arm’s length transaction between knowledgeable, willing parties. The above conditions are met if there is an active market where transactions are implemented regularly and the best indicator of fair value is the market price.

The aim of the research is to develop theoretical, organizational and methodological provisions and substantiate practical recommendations for formation of a corporate accounting system and preparation of corporate reporting in order to provide the parties concerned with the information required for making economic decisions in compliance with International Financial Reporting Standards.

The main issues of the research paper are the following:

- study the stages of corporate accounting and reporting development in order to identify new areas for its improvement;
- reveal methodological approaches to reflecting information about innovations and modernization of production in corporate accounting and reporting;
- create several corporate standards that ensure the formation of corporate reporting for stakeholders.

The subject of the research is collection of theoretical and methodical problems in the formation of corporate reporting analysis based on International Financial Reporting Standards.

The research methodology comprises the iterative application of a number of interrelated research methods. First of all, these are general research methods of analysis and synthesis.

There are a large number of the research publications devoted to the methodology of studying the problems of drafting the analysis of corporate accounting and reporting. Thus, Sapojnikova N.G., Lavrukhina T.A. in their research papers have studied existing standards, models and methods, the problems of improving corporate accounting and reporting in compliance with International Financial Reporting Standards (7).

Despite the mandatory use of IFRS, companies maintain corporate accounting and compile reports primarily in accordance with the requirements of national standards. After compilation, national corporate reporting data is transformed into the IFRS format. The reporting transformation procedure requires knowledge of the latest accounting standards (primarily international ones) and specific professional skills. In addition to the availability of discrepancies in the requirements of national and international standards, the transformation process is complicated by the difference in the conceptual facilities applied. Below we have made a comparative analysis of approaches to the types of values determined when generating information about assets in the accounting and reporting of the company in accordance with Accounting Regulations, NAS and IFRS (Table 1). When compiling the table, the definitions used in International Financial Reporting Standards have been accepted as a basis.

Table 1: Comparative monitoring of approaches to evaluation of the company’s assets

Type of asset value	**Signification in IFRS**	**Signification in the Regulations and NAS of the Republic of Uzbekistan on accounting**
Prime-cost	The amount of cash and cash equivalents paid or the fair value of other refund given to acquire an asset, at the time of its acquisition or during its construction, or, if applicable, the amount at which such asset was initially recognized	The prime-cost of products (works, services) includes expenses directly related to the costs of products (works, services), determined by the technology and organization of production. These include: direct and indirect material costs, direct and indirect labor costs, other direct and indirect costs, including production overhead costs.
Book value	The cost at which an asset is recognized in the financial statements after deducting accumulated depreciation and accumulated losses from impairment	The cost of an object, fixed assets of an enterprise, a company (long-term assets), included in its balance sheet, recorded in the balance sheet
Residual value	The estimated amount that a company would currently receive from disposal of an asset, after deducting the estimated costs of disposal, if the asset had already reached the end of its useful life and condition at the end of its useful life	Residual value is the initial (replacement) cost of fixed assets minus the amount of accumulated depreciation at which the asset is reflected in accounting and reporting

Depreciable value	The initial cost of an asset or other amount taken to be its initial cost minus its liquidation value	No definition available
Enterprise - specific cost	The present value of the cash flows that a company expects to receive from the continued use of an asset and from its disposal at the end of its useful life or to pay when settling a liability	No definition available
Fair value	The amount for which an asset could be exchanged between well-informed, independent parties willing to complete the transaction	The monetary amount, for which an asset can be exchanged (property sold or debt written off) between well-informed and motivated parties in a free transaction

Below each indicator presented in the table is considered separately.

Prime-cost. IFRS uses the concept of "prime-cost" when accepting any assets for corporate accounting. Variations are possible in the national accounting practices. The following concepts are used as the prime-cost determined upon recognition depending on the type of asset:

- initial prime-cost (fixed assets, intangible assets, financial investments);
- actual prime-cost of production (inventories, work in progress).

Thus, the approaches to determining the cost set during the initial evaluation process recommended by IFRS and NAS are identical. They differ in the name of this type of the prime-cost (prime-cost - in IFRS documents, initial cost (actual cost) - in NAS).

In our opinion, this type of value can be used when accepting objects for corporate accounting, i.e. upon their recognition.

Book value. In practice, this valuation refers to the value at which the asset is indicated in the balance sheet. This valuation depends on the asset type. Thus, for depreciable assets (fixed assets, intangible assets), the book value is the difference between the accounting value of the object and the amount of accrued depreciation. In accounting practice, this value is called residual value. According to IFRS, when determining the book value impairment losses must be taken into account as well.

In case of impairment absence, the book value of inventories is an estimated value depending on the selected method of valuing inventories upon disposal (at the prime-cost of each unit, the average prime-cost, the prime-cost of the first acquisitions). An exception is for goods accounted for at their selling price. The book value of financial placements (investments) depends on their type. The market value is the book value for financial investments for which the current market value is determined. The initial value is the book value for the financial investments for which the current market value cannot be determined.

Thus, in both international and national practice, such a type of asset valuation as "book value" is used. The approaches to its determination are similar and involve finding the value of assets in order to reflect them in the statement of financial position of the company. Herewith the calculation procedures differ fundamentally.

Residual value. This type of cost is determined both in IFRS and in national standards. However, the signification assigned to this category is different. In NAS the residual value is a concept used as a synonym for the book value of depreciable assets, and in IFRS the residual value represents a certain estimated value, given at the time the object is accepted for accounting, which a company plans to receive upon disposal of the depreciable asset. This is the valuation of what will remain of the object at the end of its useful life specified in current prices.

An economic entity must take into account the factor of changes in the initial value of an accounting object in the future. Despite the uncertainty of this valuation option, its use enables to estimate the future value of an asset at the company's disposal (8).

In our opinion, in determining the residual value, it should be noted that its use requires rather complex procedures for the assessment and revaluation of accounting objects.

Depreciable value. In accordance with IFRS, depreciable value is determined as follows:

Depreciable value = Prime-cost (revalued cost) Residual value

In practice, the residual value of an asset is determined by calculation and, in some cases, may constitute be a negligible amount.

This definition is not found in NAS. This is obvious from the accounting policies. According to national rules, the

depreciable value is the cost at which the asset is accepted for accounting (initial cost or reinstatement cost).

Enterprise-specific cost. This type of value, in fact, is not an independent type of valuation and is used as the basis for calculating value in use. In addition, it can partially be used in determining fair value. Enterprise-specific value can also be called discounted or present value in statutory acts and literary sources. The definition of present value is based on the fact that, from an economic point of view, it makes no sense to directly (without reference to the same time period) compare amounts of money received in different time periods. In this case, it does not matter with what point the amounts of money will be aligned (present or future). Whereas the need to compare cash flows is due to the adoption of a specific management decision (for example, to invest funds in order to generate income in the future), cash flows, as a rule, are reduced to the moment the decision was made. The current management of resources enables to undertake actions that will subsequently result in the increase in future income. Therefore, the value of funds is determined by the possibility of receiving additional income from an earlier investment.

This type of cost is regulated by international standards. Current accounting documents are widely used, but do not contain a definition of this type of cost.

Fair value. Based on the definition given by IFRS, the essential terms of the transaction are: independence and awareness of the parties, voluntary nature of the transaction, availability and publicity of information on the basis of which it is made.

The market value is the best foundation for determining fair value when there is an active market. An active market has the following peculiarities:

a) bidding is held for homogeneous goods;
b) those who want to buy or sell can find each other at any time;
c) prices are available to all participants and are publicly announced.

In the absence of an active market, subjective estimates based on the professional judgment of the appraiser can be used as analogues of fair value (5).

In general, fair value can only be calculated for homogeneous objects that are actively traded on a free (non-monopolized and uncontrolled) market. Such assets, undoubtedly, are financial instruments, as well as exchange-traded and raw materials (oil, grain, cement, etc.). Other assets in the vast majority of cases do not have an active market, and therefore the fairness of the valuation is rather conditional.

4. CONCLUSION

The research results demonstrate the objective necessity to undertake measures aimed at eliminating contradictions that arise when using existing terminology. Possible methods for evaluating the assets are fixed in the current Accounting Regulations. Despite the fact that these documents have been developed and become effective within the framework of the Accounting Reform Program in accordance with International Financial Reporting Standards, they take into account the specifics of the national terminology. In our opinion, when developing the wording of the official IFRS translation, it is required to adhere to the same approach. This practice will enable to avoid misreading of documents and unnecessary author's comments.

The analysis of the rules for drafting of consolidated financial reporting set IFRS and national accounting standards demonstrates significant differences based on the valuation methods used to calculate corporate financial reporting indicators. The fair value is fundamental in IFRS and this fact is not provided for in national regulations governing corporate accounting. Various calculation methods are used in determining goodwill and minority interest and their presentation in the consolidated financial reporting.

Corporate reporting is the primary source of information that brings together companies and stakeholders, and its purpose is to meet the needs of stakeholders from various points of view.

Thus, it can be concluded that corporate reporting is an attractive solution to such problems of corporate reporting as retrospectiveness, complexity and fragmentation of reports, but it itself contains many problematic aspects that require further study of NAS and IFRS. Therefore, we believe that financial information, at least in the foreseeable future, will not lose its dominant role in the preparation of corporate reporting, and the integrated report will be able to replace exclusively other types of non-financial reporting.

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