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THE IMPACT OF ACCOUNTING RECORDS ON PERFORMANCE OF BUSINESS ORGANIZATIONS: UNDERSTANDING THE IMPORTANCE OF THE FINANCIAL STATEMENTS

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ABSTRACT

In the study, the concept of managerial accounting is covered in a very broad scope. Any accounting technique that provides information to decision makers in decision making is included in the management accounting concept. For this reason, in the study, analysis of cost and management accounting issues and financial statements analysis were examined under the heading of management accounting.The purpose of the organization of accounting at the enterprise is to create an accounting system that would provide internal and external users with the necessary information.

Key words: Accounting Records, Business Organizations, Financial Statements

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INTRODUCTION

In the study, the concept of managerial accounting is covered in a very broad scope. Any accounting technique that provides information to decision makers in decision making is included in the management accounting concept. For this reason, in the study, analysis of cost and management accounting issues and financial statements analysis were examined under the heading of management accounting.

The researchers created 250 companies randomly chosen from the top 500 companies that published the universe for the Chamber of Industry in 2002 and only 51 firms were able to receive the response (recycling rate: 20.4%). In the prepared questionnaire, firstly, the questions about the emo- graphic characteristics of the firms are asked and the second is the question about whether the application of cost and management accounting, which is included in the scope of the study, is applied by the enterprises and if it is applied to which department (accounting / finance / financial) it is given. Finally, in the questionnaire, the measures of enterprises using the cost and management accounting methods mentioned above were measured by the 7 Likert scale.

The purpose of the organization of accounting at the enterprise is to create an accounting system that would provide internal and external users with the necessary information.

Unlike the previous legislation, the head of an organization (with the exception of a credit institution) is required to entrust accounting to the chief accountant or other official of the organization or to conclude an agreement on providing accounting services.

1. EXPLAIN THE FUNCTIONS AND IMPORTANCE OF ACCOUNTING, AND IDENTIFY THE THREE BASIC ACTIVITIES INVOLVING ACCOUNTING

Property that is the property of the organization is accounted for separately from the property of other legal entities that are located with this organization.

Accounting is maintained by the organization continuously from the moment of its registration as a legal entity before reorganization or liquidation in accordance with the procedure established by law.

The organization maintains accounting records of property, liabilities and business transactions by double entry on interconnected accounting accounts included in the work plan of accounts.

Analytical accounting data should correspond to turnover and balances of synthetic accounting accounts(Reed, 2010: 5).

All business transactions and inventory results are subject to timely registration in the accounts of accounting without any omissions or exceptions.

In the accounting of organizations, the current costs of production and capital investments are accounted for separately.

In the management system, accounting performs a number of functions, the main ones of which are control, information, property security, feedback, and analytical.

Control function

In the context of improving management, the availability of various forms of ownership, the formation of market relations, the control function of accounting is strengthened through the improvement of its forms and methods, the use of foreign experience, the widespread introduction of computer technology, the use of the capabilities of automated workplaces of the accountant, economist, analyst(Osuagu, 2001:5).

The existence of various forms of ownership, the expansion of the rights of enterprises do not mean that financial control, control over the costs of production and sales of products, work performed and services provided should be weakened in the national economy. On the contrary, employees of the accounting system, control and auditing services, banks, audit firms, tax inspectorates, relying on new methods of management, should exercise effective control over the use of various types of resources. In a single, integrated accounting system, the role of the control function is strengthened and becomes even more important, since the administration needs to know, for example, not only the financial condition of its enterprise, but also the financial position and solvency of competing enterprises.

With the help of special methods and methods of accounting, three types of control are conducted(Okwena, Okioma and Erick, 2010:25):

- preliminary - before the completion of the business transaction;
- current - during the operation;

- the next - after its commission.

The control is carried out in the following directions:(Atijosan, 1998).

- implementation of plans (programs) for the volume of produced, shipped and sold products; ensuring the safety of the property of the enterprise;
- rational and effective use of material, raw materials, fuel and energy, labor and financial resources;
- use of fixed assets, depreciation charges, repair fund;
- formation of actual costs for production and costing of products (works performed and services rendered); formation of the full cost price of the sold production, including commercial expenses;
- implementation of various cost estimates (including, for example, estimates of hospitality expenses, advertising costs);
- activity of various departments of the enterprise: shops, manufactures, sites, etc. .;
- on transactions related to securities (shares, bonds, bills of exchange, etc.);
- formation of financial results of the enterprise (profit, income, loss);
- reduction of costs associated with the formation of the products produced and sold;
- creation and use of a risk fund (provisions for doubtful debts);
- financial condition of the enterprise, as well as information on competitors;

- formation of profits subject to taxation, and profits remaining at the disposal of the enterprise, its use;
- preparation of financial and other reports (at the request of owners).

Implementation of tasks to strengthen the control function of accounting in management is facilitated by the widespread use of computers and other computer facilities at all stages of the accounting process.

In accounting, the whole circulation of enterprise funds, sources of their formation and economic processes are reflected. Qualitative accounting information allows to carry out the control at different stages of production, to control, in case of need, in all details the activities of the enterprise and its subdivisions, to analyze it and on the basis of this information to prepare, justify and make appropriate management decisions at various levels of management.

The scope of control by the chief accountant, employees of the accounting apparatus in conjunction with the leaders, employees of the relevant units and services are(Nwoye, 2001:10):

- observance of established rules for registration of acceptance and release of inventory;
- the correctness and validity of the applied prices in the conditions of the market mechanism;
- the correctness of the calculation of wages on all grounds, withholdings from the assessed amounts (taxes, deductions to the pension fund, etc.);
- correctness of the use of tariff tables, official salaries, strict observance of regular, financial and cash discipline;
- observance of the established rules for carrying out inventories of cash, inventory, fixed assets, settlements and liabilities;

- collection in due time of accounts receivable and repayment of accounts payable, observance of payment discipline;
- legality of writing off various shortages, losses of receivables, etc.;
- the correctness of determining the profit taxable;
- correctness of determination and timeliness of payment of dividends to shareholders;
- the correctness of determining the profit remaining at the disposal of the enterprise, and the directions of its use, etc.

This function is closely related to the improvement of the accounting system and the strengthening of its control function. It should be specially noted that to realize this function, the necessary prerequisites are necessary: the availability of equipped warehouses, control and measuring devices, measuring containers, flow meters,

In the inventory process, it is checked that all business transactions have been documented and reflected in the system accounting, whether the necessary updates and corrections are being made and whether the indicators of current accounting and actual data are correlated. Inventory is of great importance for the correct reflection of all costs for the production and sale of products for the purpose of property safety, especially in preventing losses of material and fuel and energy resources. Since at the present stage of the formation of a market economy and the availability of various forms of ownership, state ownership remains predominant, inventorying is associated with the processing, as a rule, of large amounts of information. Therefore, in the inventory, computer facilities should be widely used, which allow comparing actual data with accounting indicators, detect deviations and establish the safety of property.

2. ACCOUNTING IS THE PROCESS OF MEASURING, INTERPRETING, AND COMMUNICATING FINANCIAL INFORMATION TO SUPPORT INTERNAL AND EXTERNAL BUSINESS DECISION MAKING.

Accounting is the process of determining, measuring and providing economic information about an organization or any other enterprise with a view to making informed decisions by users of this information.

Consequently, the key aspects of accounting are the definition, measurement and provision(Ikechukwu, 2001):

the definition of the main financial components of the organization, such as assets, liabilities, equity, income, expenses and cash flows,

measurement of the monetary value of the main financial components in a manner that gives a reliable and objective presentation of information in the financial statements,

the provision of financial information in the manner most acceptable to users of this information.

Definitions of what accounting is, you can find a lot - in the educational and methodical, and in the normative literature.

The most famous and commonly used in Russia is the definition given in the article of the Federal Law "On Accounting": "Accounting is an orderly system for collecting, recording and summarizing information in monetary terms about the assets, liabilities of the organization and their movement through continuous, continuous and documentary accounting of all business transactions". A good student-accountant knows this definition by heart.

Having carefully examined the wording of the Law, we see that it contains, first, the content of accounting activities (collection, registration and compilation of information), secondly, the form of information (money), and thirdly, the way of implementing this activity (continuous, continuous and documented records). Unfortunately, there is no definition of the main objective of this activity, and this is typical for the entire accounting system regulated by Russian legislation. In addition, the verbal formula "accounting is a system that acts through accounting" does not sound the best way. Explain these shortcomings only one - the most general nature of this definition, the fact that the authors of the Law tried to "embrace the immensity" - to reduce all of the above aspects of accounting activities to one formulation that more or less accurately describes the process, although it does not indicate its purpose(Fitzgerald, at all, 2006).

The definition (perhaps the best suitable for all aspects of accounting), describing both the form, content, and purpose of accounting, is given by the American Association of Accountants (AAA):

"Accounting is the process of identifying and recording economic information, calculating and assessing indicators and presenting data to users of information for development, justification and decision-making."(Fitzgerald, at all, 2006).

From the point of view of the language concept, accounting has two hypostases: accounting as thought is represented by theory (accounting), and as an action - by practice (accounting). The links between theory and practice are very close and can be viewed from two sides (International Journal of Trade, Economics and Finance, 2004):

- Theory is part of the practice, and the theorist only describes the methods that have been developed in practice, and finds out which methods are good and which are not (in relation to the purposes of accounting practice);

- Practice is part of the theory, and the practitioner searches for solutions proposed by theorists, those that suit him (that is, they meet his goals). In any case, the main objective of the accountant is not to record the facts, but to solve the problems arising in the course of economic activity. These problems are many. Some of them appeared in very old times, the other part appeared only recently. Generally, there are four types of accounting tasks.

1. The first task is obvious, like five hundred years ago, and today - ensuring the safety of property owners. This task was considered to be the main one from the time of the origin of modern accounting, that is, from the Renaissance, when the rapid development of overseas trade demanded new economic relations between people. Significant material values of the owners began to trust outside parties (for example, the captains of merchant ships), and the financial result was manifested after only many months, and sometimes years. This organization of activity for the first time required written registration of facts of economic life, because the further the owner is removed from the performers, the more they have the capacity and desire to act contrary to his interests. The owners and the state are interested in not having this, and come up with different rules and techniques (inventory, control, etc.). From the point of view of control, the first task is divided into two - the preservation of the property itself and the recording of the rights to it and the responsibility of the performers. From this point of view, the accountant is like a rooster who "is awake and guards" (L. Pacioli).

2. The second problem was formulated by F. BESTOY and L, I. GOMBERG on the boundary of the XIX and XX centuries. The purpose of accounting is control, but not in terms of the preservation of property, but in terms of ensuring its effective management. Information in this case is needed primarily to make effective management decisions.

3. The third task was posed by the French authors E. Leote and A. Guilbo and the prominent Russian economist A. P. Rudanovsky also at the turn of the century. They reduced accounting to the quantification of financial results, i.e., the identification of the economic and legal consequences of economic transactions(Bearman, 2004: 152).

4. More recently, in the 1970s, Hendrik-Sen put forward the idea that the task of accounting is the redistribution of resources in the national economy. This is particularly evident in the conditions of the securities market, where the results of economic activity, quantified in the reporting, create an "economic portrait" of the enterprise. The higher these results are, the more investors will direct their financial flows to this area. Conversely, reporting with low profits or losses stimulates the outflow of financial resources from these enterprises.

From the foregoing, we see that, until the end of the nineteenth century, accounting activity was merely the recording of facts of economic life on paper (probably the most common at that time) carriers, namely, books. Hence the name of the profession - in most European languages it is associated with the data carrier (in English - book-keeping, in Serbian - knigovodstvo, in German-buchhaltung, in Swedish - bokhallare).

Even later, with the development and complication of tax systems in developed countries, there was a need for an accurate calculation of taxable bases. And the state, and owners, and managers understood that the only more or less objective basis for such calculation could be accounting information, formed in accordance with generally accepted (and approved by the state!) Principles. So there was a tax account(Barutcugil, 2002: 15).

3. OVERVIEW OF THE FINANCIAL ACCOUNTING SYSTEM

3.1. Financial Accounting Records

The basic form of the annual report of the enterprise is the balance sheet (Appendix.) Before it is compiled, it is necessary to check the turnover and balances for all synthetic accounts in the accounting registers with the analytical accounting data.

The balance sheet must contain information identified by the SBU 2 and in the Guidelines for reporting.

Mutual credits between the articles of current assets and current liabilities in the balance sheet are not allowed. Individual items of the balance sheet should not be included in other items or "curtailed" (accounts receivable overlapping the accounts payable)(Anyibagba, 1998).

The definition in the balance sheet of current assets and liabilities and the disclosure of their total amounts represent information that helps users of financial statements in the analysis of the financial position of a legal entity. The total amounts of long-term, current assets, equity, long-term and current liabilities should be disclosed in the balance sheet. The data of the balance sheet items at the end of the reporting year must be confirmed by an inventory conducted in accordance with the established procedure. According to the balance sheet data, the financial situation of the enterprise is analyzed.

The balance of the enterprise consists of two parts. The first part shows assets, in the second - the liabilities of the enterprise. Both parts are always balanced: the total amount of rows per asset is equal to the total amount of rows by passive. This amount is called the balance currency. For each line of the company's balance, two columns are filled. The first column records the financial state at the beginning of the reporting year (opening balance sheet), and in the second column - at the end of the year (final balance sheet).

The balance of the enterprise is compiled solely on the basis of the balance sheet or the main book of accounting.

For investors and analysts, the report on financial results is in many respects a document more important than the balance of the enterprise, since it contains not frozen, one-stage, but dynamic information about the successes achieved by the enterprise during the year and due to which aggregated factors, what are the scales its activities.

The report on financial results gives an idea of the development trends of the enterprise, its financial and production capabilities not only in the past and present, but also in the future.

The indicator "Cost of sales of goods, products, works, services" contains information on the amount of expenses incurred by the enterprise for the production of products (works, services), not including the amounts reflected in the item "Managerial expenses".

In the item "Commercial expenses", sales costs recorded in account 43 "Commercial expenses" and related to the sold products (works, services) are reflected(Ikechukwu, 2001).

The items "Interest to Receivable" and "Interest to pay" reflect the amounts due in accordance with the contracts to receive dividends (payable interest) on bonds, deposits, etc.

With financial investments in securities of other organizations, the income received by the enterprise under shares is reflected in the item "Incomes from participation in other organizations".

The items "Other operating income" (line 090) and "Other operating expenses" (line 100) reflect data on transactions related to the movement of property of the organization (fixed assets, stocks, cash, securities, etc.) (Honorary Presidential Advisory Committee on Investments 2002).

The articles "Other non-operating income" and "Other non-operating expenses" show results from transactions that were not reflected in the previous articles of Form No. 2 "Statement of financial results."

Under the item "Other non-operating income", in particular, creditor and depositor indebtedness for which the limitation period has expired is reflected; the amounts received to pay off the receivables written-off in previous years at a loss as uncollectable; awarded fines, penalties, forfeits and other types of sanctions for violation of contracts.

According to the article "Profit tax", the amount of income tax (income) reflected in the accounting is calculated, calculated by the enterprise in accordance with the procedure established by the legislation of the Russian Federation, to be transferred (transferred) to the budget at the expense of profit in the order of its distribution and recorded on account "Use of profits."(Anyibagba, 1998).

The report is compiled in accordance with the requirements of the SBU 4. The need for the preparation of reports consists in obtaining information on the receipt and disposition of cash for the reporting period, as well as its operating, investment and financial activities for the reporting period.

The cash flow statement (appendix # 3) allows users of information to assess changes in the financial position of the enterprise, providing them with data on the receipt and disposal of cash assets of the enterprise for the reporting period in the context of the operating, investment and financial activities of the business entity.

Operating activities. Cash flow from operating activities of the enterprise is shown using: a direct method and an indirect method.

The direct method involves disclosing the main types of cash receipts and payments, as well as determining which type of activity they are related to. It involves adjusting each article of the report on the results of financial and economic activities. For example, from proceeds from the sale of products, all payments for the acquisition of materials, payment for transport and procurement expenses, payment of interest for a loan received for the purchase of materials, payments to the budget, etc., are deducted(Burns, Ezzamel and Scapen, 2006).

Indirect method - with this method, the net income or loss is adjusted for changes in current assets and liabilities, not cash transactions, as well as for gains and losses resulting from investment and financial activity, compared to the previous reporting period.

The method is based on information contained in the balance sheet and a report on the results of financial and economic activities. This method does not provide for the adjustment of each article of the report on the results of financial and economic activities.

To compile a statement of cash flows, special development tables are used in which the following information is provided (an indirect method for calculating cash flows)(Barbara, 2010: 127):

- balances for the previous and fiscal year, which allows you to compare data on all items and determine the deviation (+, -) for each of them;

- a report on the financial and economic performance of the enterprise for the previous and fiscal year, which allows for a comparison of data on all items of income and expenses, as well as undistributed income (loss) at the end of the reporting year.

The movement of cash is made in the context of current activities, investment activities and financial activities of the enterprise.

In doing so, for the purposes of preparing a statement of cash flows, it is understood:

· On current activities - the activities of the enterprise pursuing profit-making as the main goal, or having no profit-making as such purpose in accordance with the object and purpose of the activity, i.e. production of industrial products, construction works, agriculture, trade, public catering, procurement of agricultural products, leasing of property and other similar activities;

· Investment activity - the company's activities related to the capital investments of the organization in connection with the acquisition of land, buildings and other real estate, equipment, intangible assets and other non-current assets, as well as their sale; with the implementation of long-term financial investments in other organizations, the issuance of bonds and other long-term securities, etc .;

• for financial activities - the company's activities related to the implementation of short-term financial investments, the issuance of bonds and other securities of a short-term nature, the retirement of shares previously purchased for up to 12 months, bonds, etc.

3.2. The Trial Balance

The British-American account of the equality of debit and credit balances on all standing accounts of the General Ledger at the end of the reporting period should be checked using a trial balance.

The trial balance consists of two graphs (the balance at the end of the period under debit and credit) and is constructed in the following sequence(Burns, Ezzamel and Scapen, 2006):

1. For each account, the balance is displayed.

2. Each balance is entered either in the column " Debet " or in the column " Credit " of the trial balance.

3. The results for each graph of the trial balance are counted and compared.

The value of the trial balance is essentially that it allows you to determine whether there is a balance in the general ledger, the equality of debit and credit balances on all outstanding accounts.

The trial balance has a big drawback. It does not allow(Aruwa, 2005:11):

1. Determine the pass in the records of business transactions;

2. Find an error in the recorded amount, because it is transferred to both debit and credit accounts.

The noted problems of Western accounting do not apply to our accounting¸ if a balance sheet is used as a trial balance.

The turnaround list was first proposed by J. Savary and applied in a new Italian form of bookkeeping.

Unlike the simplest trial balance consisting of two graphs, the turnover sheet is a statistical-dynamic balance form that provides six graphs.

On the basis of the turnover sheet, by transferring the balance of the General Ledger accounts to it, the final balance is drawn up. Debit balances on permanent accounts are recorded in the asset of the balance sheet, and credit balances are written into liabilities (in capital and liabilities). In the Final balance sheet, the form of which was introduced from 1997 г. the indicators of basic and regulatory accounts are shown in one line in total(Anyigbo, 1999).

Therefore, at this stage, the accountant displays the articles valued in the balance sheet at the residual value. Then, the final figures for the sections of the balance are determined and the balance currency is summed up, which is extremely important to compare with the similar index in the turnover list.

The accounting cycle of an economic entity involves the following stages of the procedure: an analysis of the contents of business transactions on the supporting documentation, their valuation, identification by time and classification in the nomenclature of the chart of accounts(Ademola, Samuel and Ifedolapo, 2012: 5);

- Registration in the journal of the chronological record;
- Post journal entries to the general ledger accounts;
- Trial balance (reverse statement);
- Final balance.

Inventories are divided into inventories, book and general. Inventories are disposed of on the basis of inventory of assets, funds in settlements and liabilities to third parties and must be confirmed by inventory. The book balances are based on the principle of recording facts of economic life and are compiled according to the accounts of the general ledger. General balances are considered the most real, because they are based on current accounts, confirmed by factual information through an inventory(Nwoye, 2001:178).

According to the terms of compilation, balances are classified into introductory, current, final, sanitized, liquidation, dividing and unifying.

They are introductory at the time of the organization of the enterprise. They determine the amount of values with which the organization begins its activities.

The current ones are formed periodically during the whole period of the enterprise's operation and are divided into the initial ones (contain data at the beginning of the period), intermediate (are drawn up for the periods between the beginning and the end of the reporting period-the financial year), final (formed at the end of the fiscal year and serve as the initial for the next accounting period).

They are liquidated during the liquidation of the enterprise and provide information about the property of the organization that is subject to distribution between its creditors and owners, using methods of valuation of articles at the price of the possible sale of each asset. They can be developed at the beginning of the Liquidation Period (introductory liquidation balance), during the period (interim) and at the end of the liquidation period (final).

Separation forms are formed at the time of division of a large enterprise into several smaller ones or when transferring the structural units of one enterprise to another on the basis of the final balance sheets (in the case of separation) or current balances (when another is allocated from one enterprise).

Fig.1. Trial balance

Trial balance

Account	Debit	Credit
Bank	2 500	0
Capital	0	10 000
Cash	1 000	0
Deirdre (supplier of goods to be sold)	0	5 500
James (supplier of machinery)	0	0
Jules (supplier of transp. equip.)	0	0
Long term loan (from bank)	0	2 000
Machinery	5 000	0
Purchases (goods to be sold)	7 000	0
Rent	1 000	0
Salaries	2 500	0
Sales	0	7 000
Sally (a client)	1 000	0
Shop expenses	1 500	0
Van	3 000	0
Total	**24 500**	**24 500**

Unite to integrate with the merger of several enterprises into one based on the data of the final balance sheets (merger) or current and closing simultaneously (when joining one company to another, previously operating)(Okwena, Okioma and Erick, 2010).

In terms of the amount of information included, the balances are divided into single, consolidated and consolidated. Single indicators are characteristic for the activity of only one enterprise. Consolidated are carried out within the framework of one owner, combining the data of enterprise divisions or for statistical generalization of indices in the industry. Consolidated reflect the position of a group of legally independent enterprises connected by joint property control.

According to the method of valuation of articles, commercial and tax balances are allocated. Commercial ones are based on the modification of the sale prices of assets, tax (or inventory) are based on the valuation at cost.

By content, the balance is divided into trial, negotiable and balance. Historically, the first was the trial balance, which represents the inventory of debit and credit turnover and demonstrates the equality of the results on the basis of a double entry. The current balance, in addition to turnover, includes the initial and final balances on accounts. The balance sheet is made exclusively on the basis of balances and represents the most complete expression of the category of the balance sheet.

3.3. The Trading Profit and Loss Account

Trading account and account Gains and losses are actually two reports in one. A trading account is a financial report showing the proceeds from the sale of goods, the cost of goods sold and the gross profit received during this period. In the Profit and Loss account, the net profit (loss) for the period is calculated, representing the difference between the gross profit and the expenses incurred by the business in the process of its receipt.

If the enterprise sells its own production, then in addition to the previously considered accounts, it still maintains the account of the Production, on which the cost of the finished product is calculated. This account is drawn up to the Trading account and the Profit and Loss account. Thus, in one general report, three accounts can be presented: Production, Trading and Profit and loss account, which will represent three reports in one.

Pay attention to the fact that the trading account and the account Profits and losses are drawn up for a certain period of time, usually this is 12 months. The title of these reports should necessarily contain the phrase "for the year ending ...". However, there are cases when the Trading account and the account Profits and losses are prepared for a shorter period and in this case the name contains the phrase: "for a period of ... months ending ..."

Let's also consider the terms used in drawing up the final accounts:

(1) Cost of goods sold (sometimes referred to as cost of sales) is the cost of purchased and sold goods. It is calculated as the value of the stock at the beginning of the period plus purchases minus the value of the stock at the end of the period.

(2) Gross profit is the difference between sales revenue and the cost of goods sold (cost of sales).

You need to remember the following formula:

Gross profit = Sales - Cost of goods sold

If the cost of goods sold is greater than the sales revenue, then the result will be a gross loss(Laughlin and Gray, 2004).

(3) Net profit can be defined as gross profit minus all expenses incurred during the course of business. Often the costs shown in the Profit and Loss account are divided into four main categories:

(a) commercial

(b) administrative

(c) financial

(e) organizational (costs of establishing an enterprise)

The most typical format of the Trading Account and the Profit and Loss account is the following. Please note that in this case the costs are not previously grouped.

The main document characterizing the dynamics of the company's profit (loss) is the "Profit and loss account of the enterprise".

In the profit and loss account, the following concepts and relationships hold:

Sale - is the proceeds from the sale of goods.

II. Net sales are sales less losses on sale.

III. The cost of goods sold is the value of goods that are to be sold, minus the value of stocks of finished goods at the end of the reporting year.

IV. The cost of goods to be sold is the value of stocks of finished goods at the end of the previous reporting year plus the value of the goods produced.

V. Gross profit is net sales minus the value of goods sold.

VI. Operational costs are general (daily) expenses of the enterprise, not connected with the production or sale of a particular product.

VII. Net income from production activities is gross profit minus operating costs.

VIII. Net income is net income from productive activities plus other revenues, minus expenses and interest.

IX. Net profit is net income minus taxes on profits.

The company's profit and loss account shows how much the enterprise has received (or lost) in a certain time, usually a production cycle or a calendar year.

The profit and loss account establishes the compliance of revenues (primarily from the sale of products) and incurred expenses for the reporting period. Their difference is the net profit of the enterprise during this time(Laughlin and Gray, 2004).

The profit and loss account shows only the fact and the amount of income and expenses on concluded transactions and does not reflect the real movement of money that can be transferred to the account of the enterprise (or withdrawn from it) and later.

Fig. 2. The scheme of the account of profits and losses of the enterprise

Profit and Loss Account for the x months ended on DD/MM/YYYY				
		€	€	€
Sales Income (57 bowls @ €17.50)				997.50
Less cost of Goods Sold				
Opening Stock		0.00		
(plus) cost of production 60 units:	Materials	315.00		
	Labour	300.00	615.00	
(less) closing stock: 3 Units	Materials	15.75		
	Labour	15.00	30.75	
Cost of Goods Sold				584.25
Gross Profit				**413.25**
Expenses				
Admin Wages				150.00
Printing, Production				35.00
Telephone				25.00
Travel Costs				18.00
Total Expenses				228.00
Net Profit				**185.25**

The positions of the profit and loss account of the enterprise need some explanations (Fig. 2).

I. Sale - is the proceeds from the sale of goods.

II. Net sales are sales less the losses accompanying it. Sometimes, net sales are called "income from core business" (airlines, theaters, consumer services). As discounts, there may be, for example, benefits for quick payment, cash payment, etc.

III. The cost of goods subject to sale is equal to the value of finished goods stocks at the end of the year preceding the reporting year, plus the value of the goods produced for the reporting year.

IV. The cost of goods produced (cost price) is important for both the enterprise and customers. Let's give an example of the value of the goods produced at the factory(Anyibagba, 1998).

Thus, the cost of production includes all costs for the transformation of raw materials and the production of new goods from it.

3.4. The Balance SheetClassification of Accounts

In the theory and methodology of accounting, the system of accounting accounts has a special role, since with their application the problem of dual reflection of information, its accumulation and generalization is realized. Entry into accounts is made using the double entry method.

The account of accounting is a way of grouping, monitoring and reflection of business operations that are performed with property, sources of its formation, economic processes. The account is also a storage of information, which is then summarized and used to compile various consolidated reporting indicators.

All accounts of accounting are divided into active and passive, on the basis of this there are two schemes of entries in the accounts.

Active - this accounts are accounting, which takes into account different types of property, their availability, composition, movement. The balance of active accounts is only debit.

Passive - this accounts for accounting, which takes into account the sources of formation of property, their availability, composition, movement, as well as obligations. On the passive accounts, the balances are only credit(Osuagu, 2001:15).

The scheme of entries in the active account is as follows.

Active account (name of the accounting object)

The main accounting accounts are the accounts that are used to control the presence and movement of the enterprise's assets in terms of the composition, location and sources of its formation. There are basic active, basic passive and basic activio-passive accounts.

The main active accounts are accounting accounts that are used to control and account for fixed assets, intangible assets, tangible and cash assets, as well as settlements with debtors.

The main passive accounts are accounting accounts that are used to account for changes in capital, funds, received donations, loans, loans, enterprise liabilities and settlements with creditors.

The main active-passive accounts are accounting accounts that are designed to record settlements with third parties. These accounts keep records of settlements simultaneously with debtors and creditors.

A regulatory account is an accounting account designed to refine and regulate the valuation of individual property objects and their sources accounted for in the main account. Regulatory accounts have no independent value and are applied only together with the main account. By the method of refinement of the evaluation, there are contrast, supplementary and counter-additional accounts(Bearman, 2004: 155).

Contra account is an account that reduces the balance of property on the main account by the amount of its balance. There are contractual and counter-passive accounts.

A contract account is an account that is used to specify the balance of the main active account. The contract account reduces the balance of the main active account by the amount of its balance.

A counter-passive account is an account intended to specify the amounts of property sources accounted for on a passive account. The balance of the counter-passive account reduces the size of the source of the main account.

Additional accounts are regulatory accounts, which, for the amount of their balance, supplement the balance in the main accounts. There are active and passive additional accounts.

The additional active account is a regulatory account, which is supplemented by the balance of its balance with the balance of the main active account.

The budget-distributive account is a distribution account intended to separate expenses between individual reporting periods. With the help of these accounts, the fluctuation of the cost of production for the reporting periods is eliminated. There are active and passive fiscal accounts(Fitzgerald at all, 2006: 141).

Calculation accounts are accounting accounts intended for calculating the cost of goods produced, works performed or services rendered in the reporting period. The debit of the calculation accounts reflects the cost of production, on the loan - write off the actual cost price of the output.

A matching account is an account designed to calculate the financial result of individual business processes and the enterprise as a whole. On these accounts, the same accounting object is reflected in two different estimates: one - on a debit, and in another - on the credit of the account. There are operational and resultant and financially-effective matching accounts(Okwena, Okioma and Erick, 2010).

A financial-productive account is an account for which a loan reflects the profit from the sale of various property objects and other transactions, and on a debit, losses and other expenses.

Off-balance accounts are intended to summarize information on the availability and movement of valuables temporarily in use or disposal of the organization (leased fixed assets, tangible assets in safe custody, processing, etc.), conditional rights and obligations, as well as to control certain economic operations. Accounting for these objects is carried out on a simple system.

3.5. Accounting Standards

To implement proper economic groupings of economic operations and obtain the necessary indicators for monitoring, analyzing financial and economic activities and making management decisions, an economically correctly constructed system of accounting accounts, a clearly defined economic content of accounts and a uniform reflection of economic transactions on them are important. In this regard, all accounts of accounting are classified (grouped) by economic content and by structure and purpose.

Classification of accounts of accounting by economic content is based on the grouping of objects of accounting observation, i.e. the economic content of the information accounted for in the account indicates the object for which this account is intended. In accordance with this, accounts are identified for accounting:

Fig 3. Accounting Standards

Figure 5: High level summary of hedge accounting under IFRS

Topic	IAS 39	IFRS 9
Effectiveness testing	80–125%	◆ No more threshold, hedge must be "unbiased" ◆ Qualitative and/or quantitative assessment based on management's risk strategy
Hedging risk components of non-financial hedged items	Prohibited except	Permitted as long as risk component is separately identifiable and reliably measurable
Derivatives as hedged items	Prohibited	Permitted
Hedging of net position of forecast transactions	Prohibited	Cash flow hedges of net positions are only available for hedges of foreign currency risk as long as the items within the net position are specified in such a way that the pattern of how they will affect the income statement is set out as part of the initial hedge documentation
Basis adjustment	Choice	Mandatory
Hedging a "layer" of an entire item	Prohibited	Permitted
Accounting for time value of options to OCI	Prohibited	Based on nature of the hedged item: ◆ "Transaction related": to be recognised in OCI with reclassification to P&L ◆ "Time period related": to be recognised in OCI and amortised
Fair value hedging	Changes in FV to P&L, adjustment to hedged item	◆ IAS 39 mechanics retained ◆ Requires single note disclosure about cash flow and fair value hedges ◆ Disclosure of fair value hedge adjustment

This classification of accounts for economic content with a division into accounts that take into account property, indicating the scope of its location, the account of sources of property formation and the account of economic processes and results, allows you to allocate all the accounts necessary for accounting, establish unity and differences in the methodology for reflecting information on them and obtaining necessary indicators to control the expenditure of funds, the safety of property, the performance of the company's production, economic and financial activities(Anyigbo, 1999).

Classification of accounts by purpose and structure in accounting does not link accounts with specific economic indicators that are reflected in the accounts. This grouping shows the features of building and assigning accounts in the accounting information system. The grouping of accounts of accounting by purpose and structure indicates the common features inherent in the structure of individual accounts, the methods of obtaining turnover and balance in them. When classifying accounts by purpose and structure, the method of accounting for property, sources of its formation and economic processes is used. Accounting accounts for the purpose and structure are divided into five groups: the main accounts, the accounts, operational accounts, financial-result accounts, off-balance accounts.

The main accounts are through which the accounting and control of the presence and movement of property belonging to the enterprise, and the sources of its formation. Basic accounts are divided into inventory (material), stock (capital), accounting accounts.

Inventory (material) accounts are used to account for the availability and movement by type of property of tangible assets and cash. These include sc. "Fixed assets", "Materials", "Finished products", "Cashier", "Settlement accounts", etc. All inventory accounts are active. The debit of these accounts reflects the availability and receipt, and for the loan - the disposal of accounting objects. The balance on these accounts is always debit(Laughlin and Gray, 2004).

Stock accounts are used to account for own sources of property formation. These include sc. "Authorized capital", "Reserve capital", "Additional capital", etc. All fund accounts are passive. The loan reflects the formation and subsequent increase in equity, and the debit - a decrease in the use of capital. The balance of these accounts is only credit.

Regulatory accounts are intended to clarify (regulate) the valuation of objects accounted for in the main accounts. Regulatory accounts are divided into additional accounts, contras, and additional ones(Bamberger, 2003).

Additional accounts are called accounts if the specification of the actual value of the objects recorded on the main active and passive accounts is carried out by adding the amount of the regulation of the regulatory account to their accounting price. The active account structure corresponds to the additional regulatory accounts active, and passive accounts are passive.

4. THE ANALYSIS OF THE IMPACT OF ACCOUNTING RECORDS KEEPING ON THE PERFORMANCE OF THE SMALL SCALE ENTERPRISES

4.1 To analyze the relationship between accounting records keeping & small scale firm performance

The tasks of accounting are solved through the use of various methods and techniques, the totality of these methods is called the accounting method. Methods and methods of studying and recording information on accounting objects include:

observation of accounting objects: documenting (processing and movement of primary documents prior to putting them in the archive, means that all business operations conducted by the organization must be documented by supporting documents); Inventory (a means of control over the safety of the property of the enterprise, verification of the compliance of the actual availability of property with the data of accounting and completeness of accounting for liabilities);

measurement of accounting objects in monetary terms: valuation (monetary expression of property, liabilities and other facts of economic activity, carried out by summing up actually incurred expenses); Calculation (serves as a basis for determining the cost of a unit of output (works), as well as for determining the average costs of production, includes both direct (directly attributable) and indirect costs (relating to the entire production and not directly related to the production of a particular product) (Laughlin and Gray, 2004: 14).

grouping and reflection of economic operations: accounts (designed for grouping and current accounting of homogeneous economic transactions, a separate account is opened for each type of economic means and their sources, divided into active and passive in accordance with the division of the balance sheet into the asset and liability); double entry (the way of registration of business transactions on accounts of accounting, in which the amount of each business transaction is simultaneously recorded in the debit of one account and on the loan of another);

generalization of information on the results of economic activity: balance (the method of generalization and grouping of the enterprise's economic resources and their sources at a particular point in time in monetary terms); accounting reporting (a system of indicators reflecting the property and financial position of the organization on a certain date, financial performance of the organization for the reporting period).

All business entities must necessarily apply unified forms of primary accounting documentation approved by the State Statistics Committee of the Russian Federation. From January 1, 2013 the head of the organization used in the organization forms the primary documents.

The exception is public sector organizations. For them, the forms of primary records are established in accordance with the budget legislation(Ikechukwu, 2001).

Primary accounting documents must contain the following mandatory requisites: the name of the document, the date of compilation, the name of the economic entity that made up the document; the content of the fact of economic life, the magnitude of the natural and (or) monetary change in the fact of economic life, indicating the units of measurement; the name of the post of the person who committed the transaction, the operation and responsible for the correctness of its registration, as well as the signatures of these persons, indicating their names and initials or other requisites necessary for the identification of these persons.

Since the primary records are people who are prone to make mistakes, corrections are allowed in them. The correction in the primary accounting document shall contain the date of correction, as well as the signatures of the persons who made up the document in which the correction was made, indicating their names and initials or other requisites necessary for the identification of these persons. Corrections are not permitted in cash and bank documents.

4.2 To access how accounting skill influence small scale firms

All documents confirming the completed financial and business operations can be classified according to the following characteristics.

By appointment, the documents are divided into administrative, acquittal, accounting documents and combined.

The regulatory documents are those documents that grant the right to perform clearly defined operations. The list of economic operations subject to registration by specified types of documents is determined by an official of the organization by an appropriate order. Thus, the head of the organization instructs the head of the organization to receive money in the bank for household needs, by a proxy, the materially responsible person can receive material and material values for the organization, etc.

Exculpatory documents are documents confirming that the person who provided the specified document has performed the actions reflected in it. For example, reporting on funds issued by the iodine report, accountable persons make advance reports. In them they describe the directions of spending of the received funds, and also confirm these expenses by enclosing the relevant documents(Aruwa, 2005:12).

Accounting documents are documents compiled by accountants on the basis of submitted administrative and supporting documents. They do not have an independent designation and prepare corresponding accounts for processing for further use in accounting. For example, it is an accounting certificate containing the calculation of the vacation or the amount of tax due to the budget.

Combined documents are documents that contain the signs of all previous documents. For example, advance reports submitted by accountable individuals are approved by the head of the organization. After such approval, the advance report contains an order for the accountant to reflect in the account the amount confirmed by the original primary documents (receipts for accommodation, tickets for travel, etc.). In addition, the advance report contains accounting entries, which indicates the availability of an accounting document. Combined documents, due to their universality, are the most common.

In terms of the content of business operations, documents are divided into material, monetary and settlement documents.

Material documents are necessary for registration of operations on movement of commodity-material assets. For example, it can be a waybill for goods issue, a warehouse receipt order, etc.

The monetary documents are necessary for processing transactions with the organization's cash in the cash register, on settlement accounts, on foreign currency accounts, on special accounts with banks, and on the way. To this group of documents, you can include expenditure and incoming cash orders, payroll statements, payment orders, checks, etc.

Settlement documents confirm the relationship of the organization with debtors and creditors when performing the corresponding settlement operations. These documents include bills, invoices, etc(Anyibagba, 1998).

In terms of the volume of transactions reflected, all documents are divided into primary and consolidated.

The primary documents include documents that reflect financial and business operations directly at the time of their commission. They are proof that the operations indicated in them took place. These include invoices, travel sheets, incoming and outgoing cash orders, payroll records, limit-fence cards, checks, etc.

At the place of drawing up, the documents are internal and external.

Internal documents are drawn up and processed by business entities. They are necessary to ensure the accounting process of this organization. This, for example, is a bill for the internal movement of materials, incoming and outgoing cash orders, payroll statements, orders for the admission or dismissal of employees, External documents include those that come to the organization from the outside. They are compiled by other economic entities interacting with this organization. Examples of external documents include vendor invoices, receipt of a cash receipt, checks, etc.

By the way of use, all documents are divided into one-time and accumulative(Ademola, Samuel and Ifedolapo, 2012: 8).

Single documents are drawn up when carrying out an economic transaction. The content of this document is the basis for reflecting the operation indicated in it in the accounts of accounting. Re-execution of the operation under this document is impossible. One-time documents include a demand-waybill for vacation or internal movement of inventories, incoming and outgoing cash orders, checks, etc.

By the number of accounting items, documents can be divided into single-entry and multi-item.

All single-entry documents reflect the receipt, disposal or internal movement of only one asset or one liability. An example of this is an out-of-pocket cash order that confirms the issuance of cash from the organization's cash desk.

All documents must undergo several processing steps. At the initial stage, the documents are checked in both form and content. The check in the form includes tracking the presence and filling of all the requisites provided by the legislation. The contents of the documents are subject to verification for the legality and appropriateness of conducting business operations. All numerical data contained in documents are subject to mandatory recalculation, which is the process of arithmetic verification. At the next stage, the documents are grouped according to certain uniform features. Then all the data contained in the primary accounting documents are entered in the accounting system by means of account assignment, i.e. posting on accounts(Okwena, Okioma and Erick, 2010:25).

As a rule, primary accounting documents should be kept in the organization within the terms established independently in accordance with the rules of organization of the state archival business, but less than five years after the reporting year. Accounting policy documents, economic entity standards, other documents related to the organization and management of accounting, including the means to ensure the reproduction of electronic documents, as well as verification of the authenticity of the electronic signature, shall be kept by the economic entity for at least five years after the year in which they were used to compile the accounting (financial) statements for the last time. This means that the order for accounting policy for accounting purposes will be stored not for five calendar years, but not less than five years after the depreciation of a fixed asset (intangible asset) that was approved in this accounting policy, i.e. at least five years after the year in which they were used to compile the accounting (financial) statements for the last time.

Currently, a list of standard managerial archival documents formed in the process of activity of state bodies, local governments and organizations, with the indication of storage periods, approved by Order of the Ministry of Culture of Russia No. 558 of August 25, 2010. Currently, for accounting (financial) statements (balance sheets, statements of financial results, reports on the purposeful use of funds, attachments to them, etc.), the following terms of storage are established: consolidated annual (consolidated) report spine - constantly; annual - constantly; quarterly - five years; monthly - one year.

After the expiration of the archiving period, the documents must be disposed of. The process of recycling of documents is carried out by the appropriate commission, the order on creation of which is signed by the head of the organization. Recycled documents are reflected in the same name certificate.

The movement of documents at each of the listed stages should be determined by a special schedule - the schedule of workflow.

The workflow schedule is a document that fixes the optimal mode (timing and order) of processing the accounting documentation that arrives at the organization. From the speed and timeliness of document processing, the financial condition of the organization depends to the full. The workflow schedule should be an appendix to the accounting policy of the organization.

5. THE IMPORTANCE OF A COMPANY'S FINANCIAL STATEMENTS

5.1. Advantages of a Financial Statement Analysis

A feature of the organization of analytical work is the use of a variety of techniques and methods for assessing financial indicators, which has at its disposal modern economic science. Throughout the history of the development of economic analysis, scientists and practitioners developed the basic rules for reading financial statements. The domestic methodology of financial analysis provides for the following standard methods for analyzing financial statements:

1) preliminary acquaintance with the reporting of the enterprise. Allows you to study absolute values, draw conclusions about the main sources of fundraising, the directions of their investment, the main sources of profit, the accounting methods used and changes in them, the organizational structure of the enterprise, etc. The information obtained during the preliminary reading gives a general idea of the financial state of the enterprise, but it is not enough to make managerial decisions;

2) horizontal (dynamic) analysis - used to determine absolute and relative deviations (the detected changes in quantities and their rates over a number of years make it possible to predict their values). With horizontal (temporal) analysis, absolute indicators are supplemented by relative, as a rule, growth or decline rates. Based on the horizontal analysis, an assessment of changes in the main indicators of accounting (financial) statements is made. Most often, horizontal analysis is used in the study of balance. The disadvantage of the method is the incomparability of data in the conditions of inflation. Eliminate this shortcoming by recounting the data(Osuagu, 2001:5);

3) vertical (structural) analysis. Allows you to study the structure of financial indicators and evaluate their changes, allows you to conduct a comparative analysis taking into account industry specificity and to mitigate the negative impact of inflationary processes. Vertical analysis gives an idea of the structure of the final financial indicators with the identification of the impact of each position on the result. This method of financial analysis is used to study the structure of the balance by calculating the specific gravity of individual balance sheet items in the total or in the context of the main groups of articles. An important point of vertical analysis is the presentation of the structure of indicators in the dynamics, which allows you to track and predict structural changes in the composition of assets and liabilities of the balance sheet.

4) trend analysis (horizontal, forecast). Allows you to explore dynamic series with the definition of a trend, through which the possible values of indicators are formed, hence, an analysis of development trends is conducted, i.e. forward - looking analysis. Trend - the main trend of the indicator. The forecast based on trend models contains two elements: a point forecast - the only value of the predicted indicator; interval forecast - based on the calculation of the confidence interval, in

which, with a certain probability, you can expect the appearance of the actual value of the forecasted indicator. Trend analysis is a kind of horizontal analysis, it is used in those cases when the comparison of indicators is made in more than three years. Long-term comparisons are usually made using indexes. Each reporting position is compared with a number of previous periods to determine the trend. Calculating a series of index numbers requires the choice of the base year for all indicators. Since the base year will be the basis for all comparisons, it is best to choose a year that, in terms of business conditions, is the most normal or typical.

5) coefficient analysis (analysis of relative indicators). Various financial coefficients are calculated on the basis of reporting data, their factor analysis with the determination of the interconnection and interdependence of different but logically comparable indicators.

This method takes a special place in the analysis, being the most effective, since the financial coefficients most accurately allow(Anyibagba, 1998).

• identify the strengths and weaknesses of the enterprise;

• indicate areas that require further study;

• identify the main directions of the dynamics of indicators;

• determine the extent of the impact of factors on the change in the performance indicator. All this can not be traced, considering individual reporting indicators using methods of vertical, horizontal, trend analysis. At the same time, their qualitative value depends on the reliability and comparability of the indicators involved in the calculation. The numerical value of the coefficients is affected by the use of alternative accounting methods. The multiplicity of the coefficients used in the analysis makes it difficult to unambiguously assess the financial state;

6) comparative (spatial) analysis is an intra-farm and inter-farm comparative analysis of enterprise indicators with competitor indices and industry average. The advantage of the industry comparative analysis is that as a result, its analyst understands the business content and has an opportunity to assess its financial position and economic potential. Its purpose is to identify the similarities and differences of homogeneous objects. By means of comparison, changes are established in the level of economic indicators, trends and patterns of their development are studied, the influence of individual factors is measured, calculations are made for decision-making, reserves and prospects for development are identified;

7) factor analysis - a comprehensive and systematic study and measurement of the impact of individual factors on the outcome indicator using deterministic or stochastic models of analysis. Factor analysis can be direct when the score is broken down into its component parts, and vice versa, when individual elements are combined into a common performance indicator. In general, the relationship between the productive and factorial features is(Fitzgerald, at all, 2006).

$$У = f(X1,X2,X3, ...,Xi),$$

where Y is the resultant trait, Xi is the factor attributes.

5.2 Advantages & Disadvantages of Financial Statement Analysis in Decision Making

Specific methods of analysis include(Ikechukwu, 2001:4):

• analysis of current investments, which allows you to assess the impact of sales growth on the need for financing and the ability of the enterprise to increase sales;

• analysis of sustainable growth, which helps determine the ability of an enterprise to expand sales without changing the share of borrowed funds;

• sensitivity analysis, which uses the same scenarios to identify the most vulnerable places of the enterprise;

• an industry factor that takes into account the volatility of the cash flows of a borrowing enterprise in comparison with the movement of funds from other enterprises in the industry.

These methods are of great importance for deepening the financial analysis and evaluating the potential for growth of the enterprise. Specific analysis has become most widespread in the foreign accounting and analytical practice of financial analysis.

The use of all methods of financial analysis makes it possible to more accurately assess the financial situation that has developed in the enterprise, to forecast it for the future and to make a more informed management decision.

The main types of models used in the analysis include(Nwoye, 2001:10):.

• descriptive - descriptive models based on the use of accounting information;

• Predicative - predictive models used to construct current and prospective projections;

• normative - models for comparing actual results with expected ones, used mainly in internal financial analysis.

In addition, at present economic analysis includes a large number of different methods and techniques relating to this science and borrowed from other sciences.

An integral part of the study is the grouping on the basis of which analytical tables are built, used at all stages of the analysis for the purpose of the most rational, visual and systematic presentation of the initial data, algorithms for their processing and the results obtained.

One of the most informative and common analysis tools is the index method, based on relative indicators, by which it is possible to assess the change in the level of the research object; to solve the classical analytical problem of revealing the role of factors in changing the effective indicator, to assess the effect of the change in each structural element of the indicator on its total value(Ikechukwu, 2001).

One of the methods of deterministic factor analysis is the method of chain substitutions - elimination of the impact of all factors, except one, on the result with strictly functional dependence.

The balance method reflects the relationship of interrelated and balanced indicators, the results of which should be identical.

The generally accepted classification of economic and mathematical methods has not yet been worked out. Nevertheless, the following methods are distinguished:

1) methods of elementary mathematics and classical higher mathematics, in particular, differentiation and integration in factor analysis;

2) mathematical-statistical and econometric methods that play an important role in forecasting indicators and are built on the synthesis of three areas of knowledge: economics, mathematics and statistics;

3) mathematical programming (the section of modern applied mathematics) - a means of solving the problems of production optimization;

4) on the basis of methods of economic cybernetics analyze economic phenomena from the point of view of the laws of control and information movement, and the most widely used are methods of

simulation that use a combination of mathematical (formalized) methods and expert assessments of specialists.

At different stages of the analysis, various methods developed from the very beginning in other economic sciences and inherent only to them can be applied, as there is a process of interpenetration and interdependence of the scientific tools of various sciences, and there is no clear regulation regarding their use. In real analysis, combinations of various techniques and methods are most often used.

The above formalized procedures for analyzing the company's financial statements are supplemented by experience, qualification, intuition of specialists in accounting and finance, as well as managers.

But the complexity of the current situation is that at many enterprises, accounting service employees do not fully know the methods and procedures of financial and economic analysis, and specialists in financial planning and economic departments, as a rule, do not know how to read analytical and synthetic accounting documents. In this regard, it is inevitable to form a service that analyzes and assesses the financial and economic situation of the organization, the main tasks of which are(Barbara, 2010: 127):

• development and filling in by the accounting service of input (taking into account already used in accounting) and output forms of documents with indicators with the frequency that is most suitable for supporting the work of the financial service of the enterprise;

• compilation (quarterly, monthly, yearly) of output forms with estimated indicators of explanatory notes with detailed analysis and issuing recommendations for the elimination of shortcomings.

5.3. The Benefits of Financial Statements in Small Businesses

Automation of business is one of the main conditions for the success of any organization, regardless of its structure, scope and scope. Learn more ... Business automation is a partial or complete translation of stereotypical operations and business tasks under the control of a specialized information system or software and hardware complex. As a result, the release of human and financial resources to increase productivity and effectiveness of strategic management. Automation is usually carried out in two directions: Automation of the basic business processes: for example, sales management or work with clients. In this case, it is carried out to directly increase the volume of sales, the number of products produced and increase the profitability of the entire business as a whole.

Automation of supporting processes, such as accounting, reporting, records management. Directly to increase revenue, such automation does not affect, but helps reduce the time and costs of doing routine work. The main tasks of business automation are the following: effective support of the company's operational activities, organization of accounting and control; preparation of any documents for partners, including invoices, invoices, reconciliation acts and business proposals; quick receipt of reports on the state of affairs in the company for any period of time; optimization of staff costs, increasing the efficiency of working hours by freeing employees from routine work; minimizing the negative impact of the "human factor" on the most important business processes; safe storage of information; improving the quality of customer service(Aruwa, 2005:11).

Automation of business processes can significantly improve the quality of management in the company and the quality of its product. For the enterprise as a whole, it gives a number of significant advantages. Increase the speed of processing information and solve repetitive tasks. Increase the transparency of the business and its manufacturability. Increased coherence of staff and the quality of its work. The ability to control large amounts of information. Automation of manual labor. Reducing the number of errors and improving management accuracy. Parallel solution of several problems. Rapid decision-making in stereotyped situations. As a result of automation of business process management, the company manager receives more information for analyzing business processes in the form of detailed analytical reports and has the opportunity to manage the company qualitatively taking into account external and internal indicators. For example, when using the "First Form" software for the first six months of operation, the company's most important performance indicators are increasing: planning accuracy is 40%; overall efficiency - by 50%; saving head time - by 80%.

One of the main conditions for business automation is the company's application of the process approach. This term is understood as an approach that determines the consideration of the company's activities as a network of business processes inextricably linked to its main goals, tasks and mission. The process approach, unlike the structural approach prevailing in many companies, is oriented not to the existing organizational structure of the enterprise, but to real business processes, the end result of which is the creation of a service or product. The process approach helps to increase the flexibility of the business, reduce the response time to changes in the business environment and improve the performance of the enterprise. Each business process in the company consists of a set of individual operations with the order of execution, determined by technology or instructions.

5.4 The Purpose of Preparing an Income Summary and an Income Statement

Profit and Loss Statement (Form No. 2) is an accounting document that represents the results of an enterprise's activities for a certain period. The results are reflected in certain areas of the organization - the main, other operating and non-operating. The evaluation of results is carried out by comparing the incomes and expenses for a certain period.

The profit and loss account contains the following characteristics of the organization's performance results(Anyigbo, 1999).

Revenue from sales is the cost of goods sold or services rendered (excluding taxes and excises) for the reporting period.

Sales and supply-and-marketing enterprises in this line show the total amount of proceeds from the sale of goods.

Profit from operating activities (profit from sales) is the difference between sales revenue and cost of sales. The economic meaning of profit from the main activity is to assess the efficiency of the enterprise's production activities.

The book profit represents a lot of profit before its taxation. Therefore, sometimes this line is referred to as "Profit before tax". Balance sheet profit is formed from the profit (loss) from the main activity, as well as other operating and other non-operating income (expenses).

Net profit - the profit remaining at the disposal of the enterprise after paying taxes - is a key characteristic of the efficiency of the enterprise. Net profit is the main source of increasing the company's own capital. The indicator is calculated as the difference between the balance sheet profit and the profit tax. Directions for using net profit (diversion of funds) are determined by the enterprise itself. Net profit can be directed to the formation of funds and reserves of the enterprise (increase of equity capital), payment of dividends, repayment of loans, payment of fines and penalties, maintenance of social facilities, etc.

The analysis of the Profit and Loss Statement (Form No. 2) should begin with converting it into a more convenient form for research. The preparation of Form No. 2 for analysis consists in translating the report as a cumulative result into a report for the analysis interval and allocating marginal profit.

A statement of financial results for one year is performed on an accrual basis. If the analysis interval is less than one year, you must recount the incremental total in the report for the interval. To do this, from the values of the rows of Form No. 2, the values of similar lines for the previous reporting date are subtracted to the current date. The transfer is not carried out for the first one from the beginning of the year of the reporting period. Such a presentation of the Profit and Loss Statement allows you to evaluate the performance of the enterprise for certain periods and compare them with each other.

5.4. The Purpose of a Balance Sheet & Income Statement

The income statement describes the financial performance of the organization for the reporting period. In the income statement, data on income, expenses and financial results are presented in an aggregate amount from the beginning of the year to the balance sheet date.

The purpose of the profit and loss account and explanations to it is to provide external users with information(Barutcugil, 2002: 15):

1) on the results of the organization's activities,

2) sources of profit (causes of loss).

The data on the profit and loss account are used to evaluate the performance of the organization for the period and to forecast the future profitability of its activities. The forecast of future performance is an important indicator. For investors, it means that it is possible to receive dividends in the future, and the amount of such a dividend can be decisive in deciding whether to invest. For the creditor, the future yield means the enterprise's ability to pay directly the amount of debt and, in addition, interest for the loan. If the activity is expected to be unprofitable, this situation can be assessed as a threat of non-return of debt and impossibility of interest repayment.

To solve the problems of analysis, the income and expenses of the organization, depending on their nature, the conditions for obtaining and the directions of the organization's activities are divided into:

a) income and expenses for ordinary activities. Income from ordinary activities is the proceeds from the sale of products and goods, income associated with the performance of work, the provision of services;

b) operating income and expenses;

c) non-operating income and expenses;

d) extraordinary incomes and expenses.

The usual activity is the activity for which the organization was created.

Operating incomes include non-core activities, for example, sale of fixed assets, other property, which is not a typical activity of the organization.

The distinction between ordinary activities and operating revenues and expenses is relatively arbitrary and is based on established practice. For the purposes of accounting, an organization is permitted to independently recognize revenue as income from ordinary activities or other income, based on the nature of its activities, the type of income and the conditions for obtaining it. For example, an industrial enterprise can sell surplus raw materials, reflecting revenue as revenue or as operating.

Construction of the profit and loss account is made in the context of various sources of income and expenses, which can be attributed to various activities of the organization (Table 1).

Table 1. Construction of the profit and loss statement

Company Name

Address and phone

Profit & Loss Statement

For Period Ending: DD/MM/YY

Income		
Sales		$0.00
Services		$0.00
Other		$0.00
Total		$0.00
Expenses		
Accounting		
Advertising		
Assets		
Bank Charges		
Cost of Goods Sold		
Depreciation		
Electricity		
Equipment		
Insurance		
Interest		
Motor Vehicles		
Office Supplies		
Postage		
Printing		
Rent		
Repairs/Maintenance		
Subscriptions		
Telephone		
Trainings		
Wages		
Total		
Profit/Loss		

The structure of the profit and loss account allows you to analyze the results of the organization's activities in terms of the sources of their receipt, which is taken into account by the analyst when calculating the forecast of the enterprise's activities. For the purposes of evaluating the performance of the data, data is provided for at least two reference periods at comparable prices. Companies can bring data for three to five reporting periods in order to attract investment. Given the rapidly evolving situation, the presentation of data over a longer period of time is not always appropriate.

The structure of the report is based on the varying degree of probability of repetition of incomes and expenses of the organization in the future.

When calculating the forecast trend of the result of the main activity, the analyst takes into account the information on the disclosure of information on the segments of activity, the prospects for the development of sales markets, trends in the activity of the main buyers, especially in cases where the buyer is an affiliated person, etc. In the absence of serious fluctuations in the factors studied, the probability of maintaining the trend is quite high(Barbara, 2010: 125).

The probability of a repetition of the result of financial and non-core activities depends on the source of receipt of such income, therefore they are disclosed in the report additionally. As a rule, the probability of recurrence is lower than for events in the main activity (for example, the sale of fixed assets is not a recurrent operation), but it is high enough.

The probability of repeating extraordinary events is small. To determine the probability of recurrence, a specific situation is assessed.

CONCLUSION

One of the ways to improve accounting in the conditions of building its market model is to recognize the consistent development of theoretical concepts, with the help of which it is possible to evaluate already established, recently developed and proposed accounting technologies and the development on this basis of normative, legal and methodological support for the accounting process.

The development of theoretical concepts occurs in the context of changing the role of the state in establishing accounting rules and principles, which requires a comprehension of new approaches to its theory and methodology, the creation of an integral institutional theory reflecting the modern accounting process. As part of the development of these areas, the paper examines key aspects of the problem and substantiates the strategic ways of institutional development of accounting.

The complex of problems related to institutional features of accounting is a new and insufficiently developed direction in economic science. Analysis of theoretical problems of accounting showed that the development of its concepts, principles, functions and directions of development during the formation of the Russian accounting concept in the conditions of the formation of a market economy are insufficient.

In a short period of time, many formal rules, laws, decrees, resolutions and other normative acts in the field of accounting, audit and taxation have been adopted or amended in the field of accounting and taxation. This greatly complicated the orientation in formal rules for economic actors and created a favorable

The use of informal rules, which, due to the circumstances examined, are often illegal.

In conducting the research, we proceeded from the assumption that changes in one sphere necessarily cause certain changes in another and reforming one sphere, it is impossible to achieve certain progress without adequate changes in other areas, since there are close interdependencies, and therefore, when considering accounting problems, it is especially important determination of the circle of the most dependent institutions and ensuring their comprehensive reform.

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