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THE ANALYSIS OF FINANCIAL REPORTING OF BANKS

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Abstract

The reporting of banks is understood as the form of obtaining information on the activities of banks provided for by the legislation of the country and regulatory acts of the Bank of country. submission by banks and receipt by the Bank of country of said information in the form of officially approved accounting documents (reporting forms) signed by persons responsible for the reliability of the information contained in such documents.In accordance with the requirements of IFRS financial statements should provide information about the financial position, performance of the credit organization and the movement of its cash. This information should be useful to a wide range of users when making economic decisions.

Key words: Financia reporting, banks, business

CONTENTS

INTRODUCTION

The reporting of banks is understood as the form of obtaining information on the activities of banks provided for by the legislation of the country and regulatory acts of the Bank of country. submission by banks and receipt by the Bank of country of said information in the form of officially approved accounting documents (reporting forms) signed by persons responsible for the reliability of the information contained in such documents. Banking reporting is grouped on the basis of various characteristics. So, due to the urgency (periodicity of the submission), it is divided into: operational (daily, five-day, every day),[3] monthly, quarterly, annual, single (answers to requests of institutions of the Central Bank, other required information that is not reporting). In accordance with another indication, the reporting is divided into: statistical and accounting (financial). In the day-to-day practical work of banks, all types of financial statements on the basis of urgency are divided into current and annual accounts.

a. Analysis

The use of international standards by banks in their activities makes it possible to rationalize and optimize their information systems. IFRS in this case is the basis for quality financial information. Currently, international financial reporting standards are recognized as the standard for reporting, but they do not have a clear, well-established definition and are perceived by researchers in a mixed way. Most of their definitions are based on the interpretation of international financial reporting standards as documents regulating the requirements for accounting information disclosed in the financial statements of organizations. Based on the results of the study of the conceptual apparatus of the international financial reporting standards, the following author's interpretation of IFRS is given:

International Financial Reporting Standards [10] are a set of customs of international business turnover that regulate the procedure for collecting and reducing necessary and sufficient information in standardized financial statements with subsequent submission to interested users for analysis and evaluation of the current state of affairs and the results of the reporting organization's activities.

b. Summary of recommendations

In accordance with the requirements of IFRS financial statements should provide information about the financial position, performance of the credit organization and the movement of its cash. This information should be useful to a wide range of users when making economic decisions.

Financial reporting should be clear and understandable. It is based on an accounting policy that may differ from the accounting policies of other credit institutions. Therefore, in order to properly understand financial reporting, it is necessary to consider the most important accounting policies, on the basis of which this reporting is compiled. In accordance with international standards, accounting policy analysis is an integral part of financial reporting.The financial reporting and their individual components should be clearly identified and separated from other information presented in the reporting, with each reporting component strictly defined.The financial reporting also need to reflect the methods of controlling and managing liquidity and solvency, as well as methods for controlling and managing the risks associated with banking operations.The reporting should also reflect the currency risk (possible losses associated with adverse changes in the ruble exchange rate relative to a foreign currency) and currency risk insurance methods.

It should be noted that, in accordance with IFRS, the management of a credit institution is encouraged to provide an analysis of the financial performance of the organization and its activities, in addition to reporting, and to describe the main difficulties that management has to deal with. This analysis may include such issues as the main factors affecting the performance of the credit institution, the changes in the environment in which it operates, the dividend payment policy, and the financing policy and risk management policy.

1. THEORETICAL ASPECTS OF REPORTING OF BANKS

1.1. The concept of accounting

Accounting concepts are those accounting rules that should be observed in both the main accounting department and in the preparation of financial statements in accordance with International Financial Reporting Standards IAS / IFRS. They are very important, therefore all accountants / auditors should be aware of these concepts and strictly follow them during the performance of their duties.

The most important concepts are analyzed below (Елисеева, 2007: 994):

The concept of an independent economic entity: for accounting purposes, a company should be considered separately from its owners, and thus financial reports should be compiled that include only their own transactions. The company is also subject to taxation on its own.

The concept of growth: costs and revenues should be agreed upon with each other and be considered during the reporting period to which they relate. An example is sales at the cost of sales, depreciation of the asset from the income received from the asset, the use of which continues, and so on (Абрютина, Грачев, 2000: 15).

The concept of the operating enterprise: financial statements should be prepared in accordance with the principle that the company will continue its operational activities in the foreseeable future, and there is no intention or necessity to liquidate or significantly reduce the scale of operations. The foreseeable future means a period of time - within 12 months from the date of approval of the financial statements by the board of directors. If the financial statements were not prepared for an "operating" entity, an appropriate explanation should be made in the financial statements.

The concept of consistency / consistency: the company must be consistent in its accounting processing of similar facilities within one reporting period and from one reporting period to another. This is important in order to avoid different methods of accounting for such transactions from one year to another so as to show a more complete picture of financial reporting, for example, to change the method of depreciation from a straight line to a reduction in the balance method.

Principle of prudence: the company's losses must be indicated at once, but the profit / income should be indicated when they are in the form of cash or another asset that is virtually unquestionable that these funds will be finally collected. For example, debtors or so-called losses from onerous contracts should be determined immediately, and the profits from contracts should be recognized in each fiscal year, based on the completion percentage.

The concept of priority of content over form: transactions must be accounted for in the company's documents in accordance with their content, and not with their legal force, for example in financial leasing, where, even if the lessee is not the owner of the asset, he still recognizes the asset in his own financial statements, and the landlord accepts this.

The concept of materiality or materiality: financial reporting should separately cover items that are individual materials or unusual. This enhances the clarity and transparency of these items. Nonessential elements should not be disclosed, since they are reported on general grounds (Müslümov və Kazımov: 2012).

The concept of netting: assets, liabilities, revenues and expenses should not be offset in the financial statements, but they must be presented separately. Offsetting is allowed only with permission for the existence of another IAS / IFRS (International Financial Reporting Standard), or if it is permitted by law. Usually, offsetting is allowed only for elements of the same nature, that is, the realized income in foreign currency and the realized loss from the exchange rate difference, the percentage of financial leasing and financial leasing of the creditor, counter-entries between the same debtor and the creditor,

The concept of comparison-comparison of information: financial reporting should always include the results of the company's work for the previous period to enable users of financial statements to compare the results of the current period with the previous one. Comparative information should also be disclosed in the notes to the financial statements.

The concept of reporting frequency: a company must provide a complete set of financial statements (including comparative information) at least once a year (12 months). When a company extends or shortens an accounting period, it must disclose the reason for this action and the fact that the amounts presented in the financial statements are not fully comparable (Kulikova, 2006: 86).

The above concepts are part of (IAS) 1 "Presentation of financial statements" and are very important for accounting and financial reporting. In addition, government bodies have largely adopted these concepts and expect that the relevant revenues (VAT and profit tax) will be filed in accordance with these concepts.

The most important are four concepts (see: statements of standard accounting practice (Ефимова, 2003): 1) the concept of an operating enterprise (on-going concern concept), which assumes that the enterprise is considered operational until there will be no evidence to the contrary, therefore the company's assets are not valued as the sum of ordinary shares and reserves; 2) the concept of accruals implies the recording of income and expenses at the time they arise, and not after they are received or paid; 3) the concept of consistency concept requires that reporting for consecutive periods of time be conducted on the basis of the unchanged accounting methods; 4) the prudence concept requires that accounting be conducted on a conservative basis, that is, records of earnings or income should not be made before money actually flows, and losses are recorded at the time when these losses are only forecasted. Other accounting concepts include the concepts of depreciation and deferred taxation that are relevant to accounting, but are rarely discussed in discussions about accounting concepts.

1.2. The place of analysis of financial report in the system of financial analysis of activities

The structure of the economic analysis of the organization's activities can be represented as follows (Figure 1.1). (Polenova,2007: 348).

Fıgure 1.1. Structure of the economic analysis of the organization

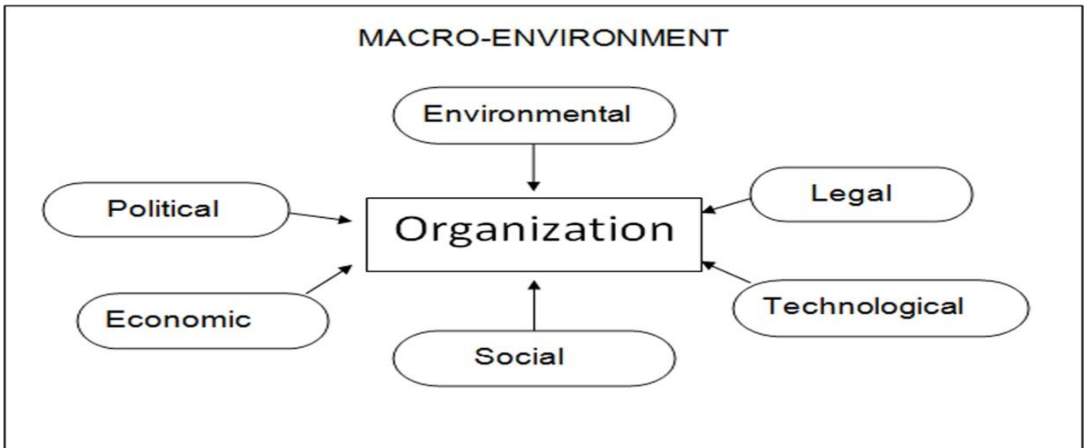

FIG 1: PESTLE ANALYSIS

By financial analysis is understood the system of research of economic processes, financial position of the organization and financial results of its activity, formed under the influence of objective and subjective factors.

Financial analysis, based on the use of only financial (accounting) reporting as an information base, acquires the character of an external one. For external financial analysis, the following features are characteristic (Бердникова, 2009: 3):

· Plurality of subjects of analysis and users of information on the activities of the organization (owners, investors, credit organizations, suppliers, government authorities and control);

· Diversity of goals and economic interests of the subjects of analysis;

· Availability of standard methods and procedures;

· Orientation of the analysis only to the external reporting of the enterprise;

· Limited analysis tasks as a consequence of the previous factor;

· Maximum openness of analysis results for users of information about the activities of the organization.

Based on the financial statements, financial position can be used to assess the property position, current solvency of the organization, its financial stability, capital structure, assets turnover, profitability of the enterprise, movement of its cash.

When additional information (financial, managerial, statistical, operational accounts, regulatory and planning information) is involved, it becomes possible to supplement the results of financial analysis with other aspects (Shadilova, 2007: 320):

· Analysis of the effectiveness of investment;

· Analysis of the price of capital;

· An assessment of the validity of the policy of distribution and use of profits;

· Analysis of the feasibility of investments;

· An estimate of the need for own working capital.

In addition to the information generated within the enterprise, financial analysis uses a large amount of external information(Бланк, 2001):

· General economic;

· Political;

· Industry;

· The stock market;

· About affiliated persons;

· About competitors and contractors.

The analysis of financial statements is carried out in a certain sequence and includes the following sections (Бланк, 2011: 15) :

1) analysis of the accounting balance provides for the solution of the following tasks:

- analysis of the structure and dynamics of assets and liabilities of the organization;

- assessment of the solvency and financial stability of the enterprise;

- estimation of turnover and profitability of assets, efficiency of use of own and borrowed capital (it becomes possible at attraction of data of the Report on profits and losses);

2) the analysis of the Profit and Loss Statement allows you to obtain:

- an assessment of the structure and dynamics of the organization's income and expenses;

- analysis of absolute profit indicators, their changes;

- assessment of the profitability of conventional activities;

3) analysis of explanations to the accounting Balance Sheet and the Profit and Loss Statement (Statement of Changes in Equity, Cash Flow Statement, Appendix to the Balance Sheet, Explanatory Note) provides(Бердникова, 2009: 5):

- analysis of the structure and movement of equity capital, reserves formed by the organization;

- estimation of cash flows by types of activity;

- evaluation of the structure, dynamics and efficiency of the use of intangible assets, fixed assets, profitable investments in tangible assets;

- study of the structure and dynamics of financial investments, expenditures on ordinary types of activities, provisions, expenditures for research, development, technological work and the development of natural resources;

- analysis of accounts receivable and accounts payable.

4) a comprehensive analysis of the results of the economic activities of the organization and a rating evaluation of its financial position according to the financial statements include:

- summarizing the analysis results in the three previous sections;

- an estimation of a financial condition of the organization in comparison with industry-specific indicators and a financial condition of competitors;

- study of the creditworthiness of the organization (Shadilova, 2007: 322) ;

1) the study of non-traditional types of financial statements - segmented and consolidated. The analysis of segmental reporting provides an assessment of the reasonableness of the reporting segments, as well as a study of the organization's activities in terms of operational and geographical segments. When analyzing the consolidated statements prepared by a group of enterprises and including the consolidated

accounting Balance Sheet and the Income Statement, the financial condition and financial performance of this group should be examined, and the contribution of each enterprise included in the group to the overall results of the group is assessed.

1.3. Analytical possibilities of the accounting reporting. Assessment of the reliability of the information provided in it, methods and methods of analysis

Subject to compliance with all requirements for accounting, it has a fairly broad analytical capabilities.

According to the accounting balance sheet, the following analytical procedures can be performed (Fomin, 2008: 4):

- analyze the composition, structure and dynamics of assets (property) and sources of their formation (own and borrowed);

- by comparing individual items of the asset and liabilities of the Balance sheet to assess the solvency of the organization;

- on the basis of the study of the ratio of the value of own and borrowed capital to assess the financial stability of the enterprise;

- According to the Profit and Loss Statement, you can assess the profitability of capital, the effectiveness of the use of own and borrowed funds, asset turnover and the change in these indicators.

Profit and loss report allows you to analyze the composition, structure and dynamics of income and expenses, identify factors of changes in profit indicators (from sales to taxation, net), to assess the profitability of conventional activities (Filippovich, 2007:45).

According to the Statement of Changes in Capital, the analysis of the dynamics of all the main components of equity capital (statutory, additional, reserve capital, retained earnings), an assessment of changes in reserves created by the organization, net assets and funds received from the budget and extra budgetary funds to finance costs of conventional types activities and investments in non-current assets.

The cash flow statement allows you to examine the organization's cash flows in the form of receipts (inflows) and outflows (outflows) of cash in the context of current (regular), investment and financial activities for two years.

These Annexes to the accounting balance give an opportunity to analyze the change in the value of depreciable assets (intangible assets, fixed assets, income-bearing investments in tangible assets), certain types of financial investments, accounts receivable and payable, the structure and dynamics of expenses for ordinary activities, R & D expenditures and development natural resources, issued and received collateral, as well as targeted financing and budgetary credits.

Analysis of financial statements should begin with an assessment of the reliability of the information presented in it. This condition is especially important for external users, since the reasonableness of the decisions they make and their consequences for getting an idea of the financial state of the organization.

External analysts can not verify compliance with these conditions in full. Therefore, to assess the objectivity of these financial statements, they must know the methods of distorting financial information and their consequences for obtaining an idea of the financial state of the organization.

There are two groups of typical errors and methods of distortion of accounting information. It (Бердникова, 2009: 4):

1) distortions that affect the clarity and reliability of information, but do not affect the amount of the financial result or the organization's own capital (veil methods);

2) distortions associated, as a rule, with obtaining the wrong value of financial result or equity (falsification methods).

The main objectives of the distortion of the accounting statements are:

- exaggeration or understatement of the results of economic activity for the reporting period;

- overstatement of the amount of equity;

- concealment of certain features in the structure of property and sources of its formation;

- retouching of the property position as a result of overstating the volume of liquid assets and understating liabilities.

In financial analysis, three types of models are used (Vergilər Məcəlləsi , 2010):

1) Descriptive models are descriptive. They are fundamental for the analysis of financial statements. These include the construction of a system of accounting balances, reporting in the required analytical sections, analysis of the dynamics and structure of the reporting indicators, a system of analytical indicators, analytical notes for reporting;

2) predicative - predictive models, used to predict the future financial condition of the organization and the results of its activities. The most common among the predicative models are the calculation of the threshold of profitability (critical sales volume), the construction of predictive financial reports, models of dynamic and situational analysis;

3) normative - models that allow you to compare actual results with expected, planned, budgeted.

Such models are used mainly in the internal financial analysis, suggest the definition of standards for each item of expenditure and identify deviations of actual values of indicators from normative ones.

In the practice of analyzing financial statements, six special methods were widely used (Cəfərli, 2009: 15):

1) horizontal (dynamic, temporal) analysis - comparison of each reporting position with the previous period;

2) vertical (structural) analysis - determination of the structure of the final financial indicators with the identification of the impact of each reporting item on the overall result, an assessment of the change in the relative density of individual items compared to the previous period;

3) trend analysis - comparison of each reporting position with a number of previous periods and the definition of the trend (the main trend of the indicator change, cleared of random influences and individual characteristics of individual periods). With the help of the trend, possible values of indicators are determined in future periods, i.e. forecasts are made about the financial condition of the organization in the future;

4) Coefficient analysis (analysis of relative indicators - coefficients) - calculation of relations of reporting articles and determination of interrelations of indicators;

5) comparative (spatial) analysis - comparison of the financial state and financial performance of the organization with the indicators of competitors, with average and average general economic data;

6) factor analysis - analysis of the influence of individual factors (causes) on the resultant indicator with the help of determinate and stochastic methods of research.

2. FUTURES OF THE MODERN REPORTING OF THE BANKS

2.1. Basic concepts and regulatory framework

It is difficult to overestimate the importance of bank reporting, it serves as the main source of information for external users (shareholders, lenders, borrowers, other potential customers).

The accounting data not only characterizes the results of the bank's activity, but also reflects the tightness of communication and the direction of its interaction with counterparties, provide information on the levels of individual operational risks, etc. Together, this information allows one to compare the performance of one bank at different time periods or to compare time and space performance of a group of banks.

At present, there is a constant growth of the need of external users for information on the level of banking risks. This is due to a systematic review by the central banks and especially the supervisory bodies of the accounting reporting forms from the perspective of expanding public information on risks. Therefore, it is important to be able to use this information, analyze and, as a consequence, draw correct conclusions about the financial state of the bank (Kulikova, 2006: 87) .

In the scientific sense, analysis is a method of investigation, which consists in the mental division of the whole into constituent parts and in the isolation of individual aspects, properties, and connections. It provides an opportunity to clarify the inner essence and nature of the process under study, its dependence on the factors of formation.

The economic analysis of the bank's activity is a system of special knowledge related to the study of the financial and economic results of the bank's activity, the identification of factors, trends and proportions of economic processes, and justification of the development directions of the bank. (Alekseeva, 2009: 3-4).

Reporting is a system of indicators reflecting the results of the organization's economic activities for the reporting period. Reporting includes tables that make up the data of accounting, statistical and operational accounting. It is the final stage of accounting work.

Reporting data is used by external users to assess the effectiveness of the organization, as well as for economic analysis within the organization. At the same time, reporting is necessary for the operational management of economic activities and serves as the starting point for subsequent planning. Reporting should be reliable, timely. It should provide comparability of reporting indicators with historical data.

In the Law of the Republic "On Accounting and Reporting" accounting reporting is defined as a system of indicators containing information on the results of economic activities and the financial situation of the organization.

In the opinion of N. Strazheva, accounting statements? this is a set of indicators that reflect the actual state of the value of economic means and their sources and the economic results of economic activity during the reporting period (Vergilər Məcəlləsi , 2000).

Levkovich OA and Ponomarenko P.G. give the following definition: "Accounting reporting is a system of data on the property and financial situation of an organization and the results of economic activity, compiled on the basis of accounting data in accordance with established forms".

The accounting data not only characterizes the results of the bank's activity, but also reflects the tightness of communication and the direction of its interaction with counterparties, provide information on the levels of individual operational risks, etc. Together, this information allows one to compare the performance of one bank at different time periods or to compare time and space performance of a group of banks.

At present, there is a constant growth of the need of external users for information on the level of banking risks. This is due to a systematic review by the central banks and especially the supervisory bodies of the accounting reporting forms from the perspective of expanding public information on risks.

The significance of the bank's accounting statements is the formation of complete, objective and reliable information on the state of banking activities for the reporting period. This information includes information on the turnover, composition, structure, value of the bank's assets and liabilities, income and expenses, including in Belarusian rubles and foreign currency, and others. (Babayev və Petrov, 2007: 352).

2.2. Types of reporting of the banks

The results of commercial banks are reported. Banking reporting can be described as a combination of accounting information on the economic-financial (statutory) activities of a bank of the appropriate purpose and content on a certain date.

The main purpose of bank reporting is that it serves as a source of reliable, complete and timely economic information on the activities of a commercial bank. The availability of such information, its accumulation, analysis and systematization are necessary to identify trends in the development of the bank and forecast its future activities. The information contained in the banking reporting is of great importance for individuals and institutions interested in financial stability and profitability of the bank, which include (Васильева, 2009):

state regulatory and supervisory bodies, and primarily the Central Bank;

shareholders or owners of the bank;

"Directors, managers and employees of the bank;

- customers of the bank.

For state regulatory and supervisory bodies, which include the Central Bank, the Ministry of Taxes and Duties, the Federal Tax Police Service, the Ministry of Finance, the accounts of commercial banks, provided on approved forms and on time, is necessary to monitor their financial condition and implement a control function. For shareholders or owners of the bank, the information contained in the reporting forms is extremely important for understanding how the bank attracts funds, what are the directions of their placement and what result can be expected from the invested funds. For its customers, its stability and liquidity are important. In the event of deterioration in the indicators of bank reporting, customers can transfer their funds to a more reliable credit institution. It is important for directors, managers and employees of the bank to know the daily status of assets, liabilities, revenues, expenses and capital of the bank. It is important for a modern banker to have answers to the following questions (Бланк, 2011: 16) :

What funds are needed for the bank?

What is the cost of the funds involved?

What should be the direction of the use of funds?

You can resolve these problems only by having complete, prompt and reliable information about the state of affairs in a commercial bank.

Based on the reporting provided by the bank, users form an opinion on the reliability of the bank and make decisions about options for interaction with this particular bank. The bank, in turn, must constantly maintain the trust of partners and customers in its activities and show how it protects their interests.

Banking reporting must meet certain requirements. On the one hand, it should be accessible and understandable to users, i.e. to give an idea of the volume of the bank's resources, their types, the areas of application of available resources, the availability of reserves for possible losses on active operations. On the other hand, the reporting must also contain qualitative characteristics of the bank's activities. This approach to reporting allows the full use of information available in it in the planning, execution and monitoring of the bank's activities.

According to the terms of the submission, the following types of bank reporting are distinguished (Бердникова, 2009: 5) :

current, or periodic, accounting statements;

annual financial statements.

The first can be referred to monthly and quarterly statements. Conditionally, it can include operational daily reporting. Annual reports cover the content, volume and performance of the bank for the reporting year.

Due to the fact that the Central Bank is the methodological center for organization of accounting in banks, its function is to develop accounting rules in banks, to compile and report credit organizations. These rules are binding for all credit institutions.

2.3. Principles for the preparation of bank reporting

"The principles of preparation and preparation of financial statements" is a document approved by the IASB in April 1989. and published in July 1989. These principles define the fundamental provisions for the preparation and presentation of financial statements for external users. Purpose (Абрютина, Грачев, 2000: 17) :

- assist the IASB in developing future and revising existing IFRSs;

- assist national standardization bodies in the development of national standards;

- assisting auditors to form an opinion on the compliance or non-compliance of IFRS financial statements;

- assist users of financial statements (existing and potential investors, employees, creditors, depositors, the state in the person of tax and other bodies, the public), prepared in accordance with IFRS, in interpreting the information contained in them.

The "Principles of preparation and presentation of financial statements" addresses the following issues (Filippovich, 2009: 15) :

A) The objectives of financial reporting. The purpose of the financial statements is to provide information about the financial position, results of operations, and changes in the financial position of the company (bank). In order to accomplish the tasks, the financial statements are compiled on an accrual basis (in RAS - on a cash basis). According to the accrual method, the results of transactions and other events are recognized upon their occurrence (and not when cash or cash equivalents are received or paid). They are reflected in the accounting records and are included in the financial statements of the periods to which they relate. Ie financial reporting informs users not only about past transactions, but also about the obligation to pay money in the future and about the resources that will be received in the future. Financial statements are prepared on the basis of the assumption of the continuity of the company (bank) in the future (ie not liquidation).

B) Qualitative characteristics that determine the usefulness of information contained in the FI (Filippovich, 2009: 12) :

- intelligibility;

- relevance (utility for users);

- Materiality. Information is considered significant if its omission or distortion could affect the economic decision of users, taken on the basis of financial statements. Those. shows a threshold or a reference point;

- Reliability (no errors);

- True representation;

- the predominance of the essence over the form;

- neutrality (information should be unbiased);

- circumspection, it. the introduction of a certain degree of caution in the process of formation of judgments, the production of calculations under uncertainty (the creation of reserves);

- completeness;

- comparability;

- Timeliness;

- the balance between benefits and costs (the benefits derived from the information must exceed the costs of obtaining it).

B) Definition, recognition and measurement of the elements that make up the financial statements.

1. Elements related to measuring the financial position in the balance sheet include (Vergilər Məcəlləsi, 2010):

- assets are resources controlled by the company as a result of past events, from which the company expects economic benefits in the future.

- the obligation is the current debt of the company, arising from the events of the past periods, the settlement of which will lead to an outflow of resources from the company containing economic benefits;

- capital is a share in the company's assets that remains after deducting all its liabilities.

2. Elements related to measuring the results of operations in the profit and loss account include:

- income is the increment of economic benefits during the reporting period, occurring in the form of inflows or increases in assets or decreases in liabilities, which is reflected in an increase in capital that is not associated with contributions from participants in the share capital.

- Expenditures are the reduction of economic benefits during the reporting period, which takes the form of outflow or depletion of assets or an increase in liabilities leading to a decrease in capital that is not related to its distribution among participants in the share capital.

Recognition is the process of including in the balance sheet or profit and loss account an object that fits the definition of one of the elements and meets the following conditions:

- there is a possibility that any economic benefit associated with it will be received or lost by the company (the bank); and

- an object has a value or an estimate that can be reliably measured.

An appraisal is a process of determining the amount of money for which elements of the financial statements are to be recognized and recorded in the balance sheet and in the income statement. To do this, you need to select a specific valuation method (Müslümov və Kazımov: 2012) :

1. Actual cost of acquisition. Assets are accounted for by the amount of cash paid for them or their equivalents, or at the fair value

proposed for them at the time of acquisition. Liabilities are accounted for by the amount of revenue received in exchange for a debt obligation.

2. Recovery cost. Assets are recorded at the amount of cash or cash equivalents that must be paid if the same or an equivalent asset is acquired at present. Liabilities are recorded at the undiscounted amount of cash or cash equivalents that would have been required to settle the obligation at the time.

3. Possible selling price (repayment). Assets are recorded by the amount of cash or cash equivalents, which can now be recovered from the sale of the asset under normal conditions. Liabilities are recorded at the cost of their redemption, i.e. on the undiscounted amount of cash or cash equivalents, which would be expected to be spent to settle liabilities in the normal course of business.

4. Discounted value. Assets are recorded at the present value of future net cash inflows that are expected to be generated by these assets in the normal course of business. Liabilities are recorded at the present value of the future net cash outflow expected to be required to settle liabilities in the normal course of business.

D) The concept of capital and the maintenance of capital. The choice by the company (bank) of the relevant concept of capital should be based on the needs of users. As a rule, financial organizations accept the financial concept of capital, and production - the physical concept of capital.

According to the financial concept of capital, referring to the invested money or the invested purchasing power, the capital is considered as a synonym for the net assets or the equity of the company.

According to the physical concept of capital, which refers to the operational capacity, capital is the productive capacity of a company, based, for example, on the production of units per day.

These concepts of capital, stipulate the following concepts of capital maintenance (Rzayev, 2004: 15) :

- maintenance of financial capital. Profit is considered to be received only if the financial (monetary) amount of net assets at the end of the period exceeds the financial (monetary) amount of net assets at the beginning of the period after deducting all distributions and contributions of owners during the period.

- maintenance of physical capital. Profit is considered to be received only if the physical productivity (or operational capacity) at the end of the period exceeds the initial after deducting all distributions and contributions of owners during the period.

2.4. International financial reporting standards

KPMG has tremendous practical experience in assisting the transition to IFRS for companies in a variety of industries, such as oil and gas companies, banks and insurance companies, industrial and telecommunications companies.

Assistance from KPMG

KPMG's financial reporting service under IFRS will provide you with comprehensive assistance in the transition to IFRS, which will provide you with the necessary resources, knowledge and practical assistance in the following areas (Бланк, 2011: 115):

Accounting and reporting

• Develop new accounting policies and procedures for the preparation of financial statements under IFRS.

• Analyzing the discrepancies between the required information and the currently available information.

• Analysis of the impact on data of mandatory reporting and tax accounting data.

Systems and processes (Бланк, 2001).

• Identify the changes that need to be made to the source systems.

• Develop a clear understanding of how the transition affects other strategic initiatives of your organization (for example, the rapid closing of the reporting period, enterprise resource planning (ERP), and other initiatives for system integration and modernization).

• Forming an idea of the measures required to ensure parallel accounting (for example, management reporting, IFRS).

Economic activity

• Understanding the impact that the transition to IFRS will have on financial and business activities.

• Identify measures to address significant fluctuations in IFRS results.

Human Resources

• Information support at all levels of the organization.

• Assistance in training and mentoring, including the study of theoretical issues of IFRS, the procedure for the transformation of financial statements into IFRS format and its consolidation.

KPMG helps organizations transition to IFRS, while taking all measures to make such a transition as comfortable as possible.

International Financial Reporting Standards (IFRS) is a set of documents (standards and interpretations) that regulate the rules for compiling financial statements that are necessary for external users to make economic decisions with respect to them. The approved text of International Financial Reporting Standards and other The publication of the Council under IFRS is a text issued by the IFRS Foundation in English. Copies of such text can be obtained from the IFRS Foundation.

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The official Russian-language version of IFRS (IFRS) 10, 11, 12, 13 is available at this link.

International Financial Reporting Standards (IFRS's 2013-2014) in the original in English (including new IFRS 14, 15): download

In the attachment, the following Russian-language standards are available for download, as well as interpretations that are mandatory, disclosing this or that question of the application of standards:

Conceptual framework for financial reporting

International Financial Reporting Standard (IAS) 1 "Presentation of Financial Statements"

International Financial Reporting Standard (IAS) 2 "Inventories"

International Financial Reporting Standard (IAS) 7 "Cash Flow Statement"

International Financial Reporting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

International Financial Reporting Standard (IAS) 10 "Events after the end of the reporting period"

International Financial Reporting Standard (IAS) 11 "Construction Contracts"

International Financial Reporting Standard (IAS) 12 "Income Taxes"

International Financial Reporting Standard (IAS) 16 "Property, Plant and Equipment"

International Financial Reporting Standard (IAS) 17 "Lease"

International Financial Reporting Standard (IAS) 18 "Revenues"

International Financial Reporting Standard (IAS) 19 "Employee Benefits"

International Financial Reporting Standard (IAS) 20 "Accounting for Government Grants and Disclosure of Government Assistance"

International Financial Reporting Standard (IAS) 21 "Impact of Changes in Foreign Exchange Rates"

International Financial Reporting Standard (IAS) 23 "Borrowing Costs"

International Financial Reporting Standard (IAS) 24 "Related Party Disclosures"

International Financial Reporting Standard (IAS) 26 "Accounting and Reporting of Pension Plans"

International Financial Reporting Standard (IAS) 27 "Consolidated and Separate Financial Statements"

International Financial Reporting Standard (IAS) 28 "Investments in Associates and Joint Ventures"

International Financial Reporting Standard (IAS) 29 "Financial Reporting in the Hyperinflationary Economy"

International Financial Reporting Standard (IAS) 31 "Participation in Joint Venture"

International Financial Reporting Standard (IAS) 32 "Financial Instruments Presentation"

International Financial Reporting Standard (IAS) 33 "Earnings per Share"

International Financial Reporting Standard (IAS) 34 "Interim Financial Reporting"

International Financial Reporting Standard (IAS) 36 "Impairment of Assets"

International Financial Reporting Standard (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets"

International Financial Reporting Standard (IAS) 38 "Intangible Assets"

International Financial Reporting Standard (IAS) 39 "Financial Instruments Recognition and Measurement"

International Financial Reporting Standard (IAS) 40 "Investment Property"

International Financial Reporting Standard (IAS) 41 "Agriculture"

International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards"

Loans granted by the state (Amendments to International Financial Reporting Standard (IFRS) 1)

International Financial Reporting Standard (IFRS) 2 "Share-based Payment"

International Financial Reporting Standard (IFRS) 3 "Business Combinations"

International Financial Reporting Standard (IFRS) 4 "Insurance Contracts"

International Financial Reporting Standard (IFRS) 5 "Non-current Assets Held for Sale and Discontinued Operations"

International Financial Reporting Standard (IFRS) 6 Exploration for and Evaluation of Mineral Reserves

International Financial Reporting Standard (IFRS) 7 "Financial Disclosures"

Disclosure - netting of financial assets and financial liabilities (Amendments to IFRS 7)

International Financial Reporting Standard (IFRS) 8 "Operating Segments"

International Financial Reporting Standard (IFRS) 9 "Financial Instruments"

IFRS for SMEs

Basis for Conclusions (IFRS for SMEs)

Illustrative financial reporting (IFRS for SMEs)

Clarification of IFRIC 1 "Changes in existing obligations for decommissioning, restoration of natural resources and other similar obligations"

Clarification of IFRIC 2 "Shares of participants in cooperative enterprises and similar instruments"

Clarification of IFRIC 4 "Determination of the existence of a lease agreement in an agreement"

Clarification of IFRIC 5 "Rights related to participation in funds for the financing of decommissioning, remediation and environmental rehabilitation"

Clarification of IFRIC 6 "Obligations arising from activities in a specific market - the market for waste electrical and electronic equipment"

Clarification of IFRIC 7 "Applying the approach to the restatement of financial statements in accordance with IAS 29" Financial Reporting in the Hyperinflationary Economy "

Clarification of IFRIC 9 "Reassessment of Embedded Derivatives"

Clarification of IFRIC 10 "Interim Financial Reporting and Impairment"

Clarification of IFRIC 12 "Concession agreements for the provision of services"

Clarification of IFRIC 13 Customer Loyalty Programs

Clarification of IFRIC 14 "IAS 19 - Limit on an asset of a defined benefit pension plan, minimum funding requirements and their relationship 2"

Clarification of IFRIC 15 "Agreements for the construction of real estate"

Clarification of IFRIC 16 "Hedging a net investment in a foreign operation"

Clarification of IFRIC 17 "Distribution of non-cash assets in favor of owners"

Clarification of IFRIC 18 "Transfer of Assets from Customers"

Clarification of IFRIC 19 "Redemption of Financial Liabilities by Equity Instruments"

Clarification of IFRIC 20 "Stripping costs for the operation phase of an open-pit mine"

Clarification of the SIC 7 "Introduction of the Euro"

Clarification of the RCC (SIC) 10 "State aid - absence of a specific link with operating activities"

Clarification of the RCC (SIC) 12 "Consolidation of a special purpose enterprise"

Clarification of the RCC (SIC) 13 "Jointly Controlled Entities - Non-Monetary Contributions of Joint Venture Entities"

Clarification of the SIC 15 "Operating Leases - Incentives"

Clarification of the SIC 25 "Income taxes - changes in the tax status of an enterprise or its shareholders"

Clarification of the SIC 27 "Analysis of the nature of transactions that have a legal form of lease"

Clarification of the SIC 29 "Disclosure - concession agreements for the provision of services"

Clarification of the SIC 31 "Revenues - Barter Operations Including Advertising Services"

Clarification of the SIC 32 "Intangible Assets - Costs to the Website".

3. COMPARATIVES ANALYSIS FUTURES OF REPORTING OF BANKS IN AZERBAIJAN AND FOREIGN COUNTRIES (RUSSIA, GERMANY, FRENCH)

3.1. Futures of reporting of banks in Azerbaijan

The current stage of the development of the banking system of Azerbaijan, covering the period from 2005 to the present, is characterized, along with significant quantitative achievements, by significant qualitative changes. The reforms carried out in recent years began to give tangible positive results to the banking sector. According to the results of the fourth quarter of 2014, 43 banks operated in Azerbaijan: 42 commercial banks and one state bank. Banks with foreign capital are 22 units. In seven of them, the share of foreign capital is 50 to 100 percent, in 13 banks to 50 percent, and two local branches of foreign banks.

Among the main events on the financial market of Azerbaijan should be the development of mortgage lending, a record level of the country's gold and currency reserves, the beginning of the flow of petrodollars and the activation of integration projects of the leaders of the banking community of the republic with international financial institutions against the background of increasing CBA requirements to the minimum amount of total capital (Polenova,2007: 349).

The level of development of the banking system is characterized by such indicators as the saturation of the economy with bank loans (loans / GDP in%), banking assets (assets / GDP in%), bank deposits (deposits / GDP in%), the ratio of own funds (capital) of the banking sector to GDP in%, respectively, as of 01.01.2015 - 30%, 42%, 29% and 16% of GDP. Despite the global banking crisis, Azerbaijan's banking sector has grown at a significant pace in recent years. As of 01.01.2015, in Azerbaijan as a whole in the banking sector, the level of capital adequacy (equity ratio by assets) was 18% (minimum level according to the Basel method is 8%, the Central Bank of Azerbaijan is set at 12%). He describes the reliability of the bank's assets with its own capital.

The main achievement was a significant increase in the financialization of the country's economy. The potential of lending to the banking system has increased more than 2 times, the financial depth of the banking sector of the Azerbaijani economy has increased. The ratio of bank assets to GDP of Azerbaijan increased from 29% to 42%. All this had a positive impact on consumers of banking services. Relatively easier access to banking services, the cost of the services themselves decreased, and the quality - increased. All this had a positive impact on the development of the Azerbaijani economy (Бердникова, 2009: 7) .

At present, the new requirement for capitalization is the responsibility of banks, which form 99% of the assets of the banking sector. In June 2014, the capitalization of the banking sector of Azerbaijan in relation to the same period of 2013 increased by 27.9 percent, making 5.521 billion manat as of 01.06.2015. At present, the capital adequacy of the sector is 18 percent, which exceeds the CBA norm by 6 percentage points, and by 2.25 times the requirements of the Basel Committee. This shows the financial stability of the banking sector, which expands the capacity of banks to lend. In 2014, the ratio of the volume of loans to GDP in Azerbaijan is 30.0%, while the average for the CIS - 46.9% (for example, in Russia - 34.0%, Belarus - 46.5%, Ukraine - 78 , 6%), Central Europe - 53.9% (for example, in Poland - 46.0%, the Czech Republic - 57.9%, Hungary - 60.8%), South-Eastern Europe - 54.3% (for example, in Slovenia - 97.9%, Croatia - 78.4%), in the whole of the Eurozone - 131.1% (Azərbaycan Respublikasının “Mühasibat uçotu haqqında"Azərbaycan Respublikasının Qanunu , 2004).

Table 1. Macroeconomic characteristics of the banking sector of Azerbaijan [3]

indicator characterizing role of the banking sector in the economy	01.01.09	01.01.10	01.01.12	01.01.2015
The ratio of bank of assets to GDP,%	25	27	39	42
Loan ratio portfolio to GDP,%	17	22	28	30
Deposit Ratio of clients to GDP,%	5	5	14	29

It is obvious that at this stage of historical development the economy of Azerbaijan needs an efficient and capitalized banking system, especially in the light of accession to the WTO. To achieve this strategic goal, it is necessary not only to conduct a competent policy to create conditions for the development of the financial system on the part of the state, but also efforts on the part of the credit organizations themselves aimed at forming and raising the level of capitalization of the country's banking system.

One of the important problems that cause the growth of the banking system of the AR is the need to strengthen the competitiveness of domestic banks on the basis of their merger and the growth of bank capital.

In recent years, the dynamics of economic development in Azerbaijan, the rapid growth of the financial system and the growing global economic environment have created new challenges for the Central Bank of the country.

In this regard, the Central Bank defined in 2016 new priorities for strategic activities to strengthen support for economic development and human capital development, bringing institutional governance in line with modern practices, preserving macroeconomic stability and stability of the banking system in order to effectively respond to these challenges. The Central Bank of Azerbaijan, in accordance with its mandate, concentrated its activities on the stability of prices, the national currency and the banking system. The introduction of international capital adequacy standards in Azerbaijan (Basel-3's main provision is toughening requirements for the form of Tier-1 capital, which includes only ordinary shares and retained earnings) and the banks fulfilling the new quantitative and qualitative requirements for bank capital contained in them, to the supervisory banking activity and market discipline, will create additional incentives for the growth of the capitalization of the Azerbaijani banking sector (Shadilova, 2007: 320).

It is obvious that at this stage of historical development the economy of Azerbaijan needs an efficient and capitalized banking system, especially in the light of accession to the WTO. To achieve this strategic goal, it is necessary not only to conduct a competent policy to create conditions for the development of the financial system on the part of the state, but also efforts on the part of the credit organizations themselves aimed at forming and raising the level of capitalization of the country's banking system.

Among the systemic factors that determine the low competitiveness of the banking sector, and at the same time, the low level of its capitalization should be considered as the main reserve for raising the latter. This is a serious obstacle to the development of banks, minimizing their chances for attracting investments, participating in financing of large economic projects and long-term needs of their clients.

What is holding back a number of Azerbaijani banks to use to increase capitalization. We consider the main factors: the closure of the ownership structure of a part of Azerbaijani banks; some banks are not interested in attracting a wide range of shareholders; non-transparency of management of a number of banks, and in fact access to the open market, especially foreign exchanges, implies a completely different level of transparency, ownership, ownership structure and formed persons; fear of market reaction; fear of absorption; the need to disclose a lot of additional information, be accountable not only to the Central Bank, but also to the State Committee of the securities market, an ordinary shareholder.

One of the effective ways to increase capitalization is the initial public offering (IPO). Capitalization of banks, publicity, or cooperativeness of joint-stock companies is a complex of problems that we will inevitably have to face before entering the WTO. Otherwise, our economy will not be able to withstand competition with countries where the depth of financial coverage is greater than ours (Бланк, 2001).

We believe that the increase in the level of capitalization of the banking system can be achieved through the following measures, namely: the entry of banks into the IPO market. This allows to provide up to 60% of the capital growth of the banking system. The problem, however, is that the overwhelming majority of banks do not view the securities market as a mechanism for attracting resources.

The policy of the CBA aimed at a gradual increase in the minimum allowable level of capitalization has yielded tangible results, but it is still too early to talk about solving the problem. Particular attention in modern conditions should be given to the merger of commercial banks, the creation of banking associations, which will strengthen the resource base of commercial banks. Increasing the level of capitalization of domestic banks will increase their competitiveness both on the domestic and external financial markets and ensure the financial stability of the entire Azerbaijani economy on the way to its integration into the world economy.

The level of development of the banking sector is considered one of the indicators that determine the development of the country's economy as a whole. The manat rate will remain a significant factor in maintaining macroeconomic stability in managing financial stability, as well as in ensuring the international competitiveness of the non-oil sector. The growth of foreign exchange earnings in the country in 2016 will be the main macroeconomic factor affecting the rate of manat. Considering the significant impact of oil revenues on the real effective manat rate, opportunities for a gradual transition in the medium term to a more flexible exchange rate regime are considered (Елисеева, 2007:350).

We believe that in 2016 modernization of the banking system regulation based on the latest (modern) international standards and experience will become a priority in the financial system of Azerbaijan. In the long term, a unified system of financial supervision should be aimed, as we believe, to improve the quality of financial institutions' management of their risks, assess their ability to timely identify and eliminate (reduce) these risks.

3.2. Futures of reporting of banks in foreign countries

Financial position of the company is most often interested in shareholders and creditors. According to the accounts, they decide whether it is worth investing in the company that interested them.

Accounting accounting data is also needed for managers to make managerial decisions and to monitor the economic and financial activities of the enterprise.

Financial reporting is designed to solve three main tasks (Polenova,2007: 308) :

to provide information understandable to existing and potential investors and creditors;

provide information that helps existing and potential investors and creditors to judge the amounts, time and risks associated with the expected revenues;

provide information about the company's economic resources, its obligations, the composition of funds and sources, as well as their changes.

External financial reporting is a way of providing information collected and processed in accounting. The problem of the interpretation and correct use of information largely depends on the decision-maker. He must independently determine what information and how to use, as well as correctly interpret it and apply it in developing solutions.

To make it easier to give a full and useful interpretation of the information reflected in the financial statements, it should have the appropriate qualitative characteristics: significance and reliability.

The information is considered significant if it can influence the result of the decision, which happens only if the information is of predictive value, is based on feedback from the source of information and is timely (Бланк, 2001) .

The information is considered reliable if the information is confirmed, it is truthfully presented, the facts can be easily verified, the information is of a neutral nature.

The financial statements of foreign countries include: balance sheet, income statement, statement of cash flows and statement of cash flows. Along with these forms of reporting, enterprises provide an explanatory note.

The balance sheet characterizes the financial position of the firm at a certain point, it includes the balance of accounts that are included in the assets and liabilities of the enterprise. To facilitate the use of financial information, accounts are grouped according to certain characteristics.

Assets are divided into four groups: 1) current assets; 2) investment; 3) real estate and equipment; 4) intangible assets. If there are funds that can not be included in any of these groups, then they are allocated to a separate section "Other assets". The funds are arranged in the balance in a different sequence. In the balance sheet of the enterprises of England assets are placed in the order of their anticipated liquidity. Assets are considered more liquid if they can be converted into cash faster. So, current assets are considered more liquid than real estate and equipment (Velieva, 2008).

Current assets are cash on hand, short-term investments, bills and bills to payments and goods. Current assets during the next year or production cycle can be converted into cash. Current assets include future expenses, such as advance paid rent, insurance, goods purchased for productive use, etc.

Investments - securities that are not intended to be sold within the next year, promissory notes issued for a period of more than a year, unused equipment and funds accumulated to pay off debts. Here also include investing money in other companies in order to monitor their activities.

Real estate and equipment are long-term assets, such as land, buildings, machinery, equipment used in the process of economic activity.

The value of these assets is depreciated, i.e., it is gradually written off to the firm's financial results.

Intangible assets are long-term assets that do not have a tangible substance, but have a value. These include patents, copyrights, trademarks, "goodwill" of a firm, etc. Their cost is also amortized over the period of use.

Liabilities include short-term accounts payable, long-term accounts payable and enterprise capital.

Short-term accounts payable consists of liabilities payable during the production cycle or the coming year. It includes promissory notes issued, bills payable, salaries to employees, taxes, advances to buyers and customers. Short-term accounts payable are usually repaid at the expense of current assets or by increasing new short-term liabilities (Елисеева, 2007: 994).

Long-term accounts payable includes debts of the firm, which are payable in a year or more than the production cycle. Such debt includes long-term promissory notes issued, unpaid bonds, long-term lease obligations, etc. Capital reflects in monetary units the scope of the rights and interests of the owner of the firm. The procedure for determining and calculating it depends on the form of ownership. Individual property is capital in the balance sheet, which is reflected by one sum. In the partnership, the amount of capital is reflected in the contributions of the members of the partnership. A corporation is a form of ownership when the amount of capital is distributed among shareholders. The share capital of a corporation consists of two parts: contributed capital by shareholders and accumulated, which is replenished annually by profit. Accumulated capital or "Retained earnings" is sometimes called "earned capital", which is part of the funds of shareholders reinvested in the activities of the corporation. The balance on this account shows the difference between the profit of the corporation and the dividends paid for the time of the company's existence.

Since a simple transfer of a large number of accounts can not easily be perceived by consumers of information, to facilitate its use, all accounts in the balance sheet are grouped together. Such reporting is called systematic financial reporting. The systematization of accounts in different countries is done in different ways. Here is an example of a systematized balance that is used in American and French enterprises:

The balance of the US enterprise Assets Amount, Liabilities Amount, den.ed. den. Current assets 210 OOO Short-term creditor 92 400 debt Investments 50 LLC Payables on payroll 80 000 Tangible assets 454 LLC Long-term creditor 42 600 debt Less payable accrued 2100 Capital 585 000 Intangible assets 88 100 Total assets 800 000 Total liabilities 800 000 Balance of the enterprise of France Assets Amount, Liabilities Amount, den. units den. Non-material sustainability Share capital 405 000 assets 30 000 Reserves 75 000 Material stable Profit of the reporting year 190000 assets 540 000 Creditors 240 000 Investments 40 000 Current assets 280 000 Cash at the bank and cash desk 20 000 Total: assets 910 000 Total: liabilities 910 000 B depending on the specifics of entrepreneurial activities, forms of ownership, taxation conditions and other factors, many foreign enterprises make a balance monthly or quarterly (Vergilər Məcəlləsi, 2000).

Information on the balance sheet allows you to judge the quantitative and structural changes that occurred during the reporting period in the assets and liabilities of the enterprise.

However, the balance sheet can not give an answer, how and by what factors the capital of the owner has increased.

For this purpose, a profit and loss account is prepared.

The profit and loss statement shows how the profit of the firm is formed. Profit represents revenue from sales of goods and services, minus their cost, minus operating expenses, as well as minus other expenses over other revenues. The difference between gross profit from sales and operating expenses is the profit from core activities.

The profit and loss account is presented both in multi-stage and in single-stage form. A possible profit and loss statement for US businesses can be presented in the following form:

Profits and Losses Report

(short form) Indicator Amount, den. units Revenues from sales 500 LLC Cost of goods sold Commodity stocks at the beginning of the reporting period 30 LLC Purchase of raw materials and materials 180 LLC Transportation costs 5000 Items for sale 110 000 minus: inventory at the end of the reporting period 12 000 Total: 313 000 Gross profit from sales 187 000 Operating expenses Cost of circulation 40 000 Administrative and management expenses 37 000 Total: 77 000 Net profit 110 000

The income statement in a brief form is usually presented to external users. For internal users, the report is drawn up in full form, in which all incomes and expenditures in all directions are deciphered. Enterprises of France report on profits and losses is made in the following form (Бланк, 2011: 11):

Profit and Loss Statement Income Amount, den. units Current income

Revenues from resale of finished products

Revenues from sales of products and services

Change in finished goods inventories and unfinished production

Current Subsidies

Total current income:

TOTAL current income:

Profit from joint activities

Financial income

Extraordinary income

Total income:

Balance - loss

A total result: 120 Open Company 480 Open Company

80 LLC 120 LLC 800 000 800000 20 000 40 000 20 000 880 000

880 000 Expenses Recurrent costs Expenses for the purchase of finished goods

Expenses for the purchase of raw materials and materials

Tax and similar payments

Labor costs

Social insurance costs

Revaluation of assets

Total recurrent costs:

Losses from joint activities

Financial expenses

Extraordinary expenses

Income Taxes

Total expenses:

Balance - profit

Total: 60,000 220,000 40,000 120,000 15,000 3,000 458,000

22 000 10 000 40 000 530 000 350 000 880 000

65

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The statement of changes in shareholders' equity includes information about changes in the composition of equity for the reporting period. It reflects the operations that affected the share capital during the year. The first line of the equity report reflects the opening balance of each analytical account "Share capital". Each next line indicates the amount of changes in the share capital as a result of the economic transactions that occurred during the reporting period. The last line of the report indicates the final balance of the account "Share capital" and its analytical accounts. The report on the movement of share capital in US enterprises can be represented as follows:

Equity flow report Indicator Preferred shares Ordinary shares Equity paid in excess of nominal value Reinvestment earnings Retired equity Total Balance at the beginning of the reporting period Issue of shares 100 LLC 30 LLC 220,000 50,000 80,000 185 000 585 000 80 000 10% dividends paid by shares Net profit Dividends payable 40 000 215 000 40 000 215 000 with cash

Balance at the end of the reporting period 130 000 310 000 80 000 -45 000 355 100 -45 000 875 000

The statement of cash flows reflects the firm's ability to pay off debts to investors and lenders, and provides information on cash flows for the reporting period. The term "cash" means both cash directly in the company's cash and on its bank accounts, and cash equivalents are short-term highly liquid investments represented by securities (shares, bonds, etc.).The cash flow statement consists of three sections:

Cash flow from current activities;

Cash flow from investment activities;

Cash flow from financial activities.

The data of this report is necessary both for the administration of the company, and for external users - investors, creditors.

The information provided in the report is necessary for the company's administration to determine the adequacy of cash to pay off short-term accounts payable, to resolve the issue of increasing or decreasing the amount of dividends paid, and to plan investment and financial activities of the firm.

For investors and creditors, the information is useful in studying the firm's capabilities in settling accounts payable, paying dividends, and supplementary financing in the implementation of various programs.

The main purpose of the cash flow statement is to provide information on the receipt and disposition of cash during the reporting period, as well as to provide information on the current, investment and financial activities of the enterprise.

Financial statements are published; The publication of reports is purely promotional. On the first place in the annual accounting reports are placed information that emphasizes the financial power of the enterprise. Thus, the major US monopolies at the beginning of the annual reports place a brief overview of the company's key performance indicators for the reporting period, among which the main place is occupied by such indicators as net profit, declared dividend, the number of products and percentage of use of production capacities, equity in circulation, number shareholders, etc (Бланк, 2011: 16).

The degree of reliability of annual financial statements is determined by the current rules for its compilation and legislative acts. In addition, simultaneously with the publication of the annual report, the auditor's report on the audit of the reporting data is published, which also guarantees its reliability.

Along with the financial reporting forms, an explanatory note is also published, which provides a detailed overview of the financial condition of the enterprise, its financial, production and commercial activities for the reporting period.

For many centuries, the management of the enterprise was limited to accounting data, as early as the beginning of the nineteenth century, the owners of the enterprise kept records and managed their own affairs. However, since the middle of the XIX century, the volume of economic activity has increased dramatically, the organizational structure of the enterprise has become more complicated, and accounting information has ceased to satisfy the interests of managers engaged in economic activities.

The emergence of management accounting was a way out of the situation, since management accounting does not cancel the traditional accounting, but complements it. At present, in economically developed countries, accounting as an economic science and as a sphere of practical activity is divided into financial and managerial (Бердникова, 2009: 3).

Management accounting expands financial and is primarily used to reflect the internal operations of the firm. It is intended for agents of the enterprise and its administration in the field of management. Management accounting consists of two parts: systematized and problematic. The systematized part is connected with taking into account the costs and performance of the structural divisions of the enterprise, the problematic is devoted to the development of management decisions.

Since the information prepared by accounting should be considered in the light of its final influence on decision-making, an essential prerequisite for a correct perception of management accounting is the understanding of the decision-making process.

Before making the right decision, it is necessary to define a goal or guideline that will help decision-makers evaluate the preferences of one option before another. The next step in the decision-making process is to find a number of possible options for actions aimed at achieving the set goals. For the correct choice of options for action, it is necessary to have information about the expected conjuncture and changes in the economic situation. After the necessary information has been collected, the administration of the enterprise must decide which options are preferable.

In practice, decision making is a comparative assessment of alternative options for action and the choice of the option that best meets the objectives of the enterprise.

The selected options for action are the starting point for taking organizational actions to implement the chosen course of action and obtaining the expected result (Kulikova, 2006: 83).

To implement the selected decisions and monitor their implementation, estimates are drawn up, which is a concentrated document that reflects the plans of the enterprise and the expected results.

The latest stages of the management process are the control and regulation of the enterprise's activities with the aim of unconditionally executing selected options for action.

The above management functions are serviced by the accounting system and, in particular, by management accounting. Since management accounting is directly involved in the performance of these functions, its primary task is to prepare and submit the necessary information for the administration of the enterprise to exercise its management functions.

3.3. Comparative analysis of Azerbaijan and international standards of financial reporting

The business environment is, first of all, the indicator of the results of the enterprise's activities over the past period. Regular submission to the relevant state and other organs is one of the most important characteristics of their character. For compilation of accounting records, all types of current account are used - accounting, statistical, technical and accounting records. That is why it is possible to make a comprehensive report of the enterprise's economic activity through the enterprise.

The composition and circulation of the asset is determined and approved by the Ministry of Finance of the Republic of Azerbaijan and the State Statistical Committee. One of the most important ways of managing the management of the business process is to submit the report to the competent state bodies in certain quantities and periods. At present, improvement of the whole system of management is one of the most important tasks of the independent Azerbaijan Republic's economic policy. Significant accounting and management arrangements for the management of public and state-owned economy are invaluable (Бланк, 2011: 10).

The nature of enterprise, organization, and organization is a major source of information about their activities. The method is used to manage households in order to avoid obsolescence, to overcome economic downturns, to assess their quality indicators and to obtain initial information for future planning.

An in-depth study of the Hypothesis Indicators creates conditions for disclosing the findings and achievements of the enterprise, as well as determining the ways in which they are to be employed.

Adaptation of the economic structure to the economy planning and the requirements of the state statistics and the insurance market is one of the distinguishing feature of economic accounting.

The account in the Republic of Azerbaijan is carried out by the State Statistics Committee of the centralized centralized state administration. State Statistical Committee regulates the substantiation of substantiated statistical indicators on the state of affairs, the speed of development of the economy, the welfare of the people, the availability and utilization of natural labor and material resources, and their submission to government agencies.

The State Statistical Committee is regularly reporting on the basis of the presented procedures, and on the implementation of state orders on the development of the national economy on the basis of the methodology of cessation. This committee is also involved in the issues related to the improvement of the methodology and organization of the accounting and statistics in accordance with the requirements of economic entities.

The management of the financial statements of the ministries, enterprises, organizations and departments is accounted for by the Ministry of Finance. The Ministry of Finance prepares and approves a typical accounting plan, typical accounting records, accounting policies, and instructions for applying the accounting, agreed with the State Statistical Committee. In the same way as a one-way management, the unity of its own structure and the methodology is one of the most important aspects of the various branches of the national economy.

Proper correction of business processes in business situations is an objective necessity in any society. Implementation of the results of economic activities is a codification of the state discipline. All businesses and organizations with a functioning and independent balance sheet should submit a public account. Consumer associations and industrial enterprises are directly involved in the production of industrial products. If enterprises (factories, factories) that are part of the existing trade unions do not have an independent balance, then the state of affairs is formulated in solidarity.

The plan and performance indicators are one of the most important chains of intricate machine-building mechanics. Current account deficits and performance indicators are relatively rational. This suggests that the indicators should not justify the implementation of the action plans, but also the reasons for their departure from the plan. The overall direction and development copy is the accounting standard used to comprehensively study the economic manifestations of the state's financial plan (Hennie, 2006).

At the present time, some indicators have been identified in the economic subdivisions, and the following indicators have been reported in connection with the acquisition of fixed assets and property rights.

These traditions are actually adapted to the requirements of the market economy. The accounting standard is an indicator system that reflects the entity's (entity's) property and financial position as well as the financial performance of its business. Not every business entity (including non-resident investment companies) has an accounting degree, regardless of ownership (Babayev və Petrov, 2007: 352).

In addition to its accounting practices, subsidiaries (institutions) are compiling and presenting the summary statements of their subsidiaries.

The entity's financial statements are (Azərbaycan Respublikasının “Mühasibat uçotu haqqında"Azərbaycan Respublikasının Qanunu)

- accounting balance;
- profit and loss statement;
- the change in equity;
- cash flow statement;
- accounting policies and explanatory notes;

The list of all legal entities, as well as the order of their compilation, is reflected in the guidance developed by the Ministry of Finance of the Republic of Azerbaijan. One of the main characteristics features of the accounting system is the system of generalizations of accounting data.

Any trading Organization statements in the data (assets, liabilities, capital, revenues, expenses and profits income) in the financial statements as prepared Has accounting balance of minimal level of demand characterized met, as well as an initiative by a organization, the management of additional data asset of information and should be completed (minimal required information is provided for disclosure of information relating to transactional, financial and investment activities). The reasonableness of the information is that the need for control over the level of profitability of the assets, the importance of the risk management risk, and the comparability of the profitability of the business with the competitors.

Financial statements should have a number of quality indicators that will be mentioned in this chapter. There is also a case where one quality conflicts with others. For example, financial statements should be readily understood to the users. At the same time, all significant information should be reflected in the financial statements. As we prepare the financial statements of a plant for producing chemical products, we can stay in two segments: either we have to allocate the raw chemicals (to meet the requirement of relevance) or simply record the raw material (in order to meet the clarity requirement). (Azərbaycan Respublikasının “Mühasibat uçotu haqqında"Azərbaycan Respublikasının Qanunu)

Qualitative indicators refer to the attributes and characteristics to which financial statements are to be acquired. There is a need to maintain balance between all the indicators. These indicators make the financial statements more accurate and acceptable. The quality indicators have been reflected in the Conceptual Framework proposed by the International Accounting Standards Board (IASB) for the preparation and presentation of financial statements.

prepared in accordance with accounting standards recording of accounting (financial) statements completely and reliably, property and financial situation of their organization, the indicators, activity of its financial results, as well as the financial condition of changes that took senior honest reflection of the data.

The significance of the indicators reflected in the financial statements is determined by the role of helping the beneficiaries in the assessment of the financial and financial outcomes. Undoubtedly, there are difficulties in making and accepting economical decisions by the consumers that are not reflected in the information (not disclosed). Therefore, the organization should focus on the significance of their performance in the process of promoting the economic indicators. In the practice of accounting and hedge accounting, the relative weight of the instrument is significant, with no more than 5%.

According to international standards, financial incentives are quality assurance requirements for consumers when it comes to quality standards. Quality, quality, honesty, relevance, neutrality, meticulousness, and more. adid. The short quality of these quality standards should be met.

- Understanding - The consistency of the information provided in the financial statements is useful for those who use the report. Its essence is that it is understandable for those who use the financial statements. Even if they do not have their own professional training (Alekseeva, 2009: 3-4).

- Financial statements that are formulated in accordance with certain rules and regulations for full-fledged travel are considered to be complete and reliable. Its indicators provide honest information about the entity's financial position and financial performance, as well as changes in its financial position. According to this indicator, one important information should not remain outside the financial statements. Because the complete unreliable financial report can surprise the consumers.

- Honesty - the information should be objective and should be deprived of every mistake and displacement. The presence of this indicator ensures that the information about the results of the entity's production and commercial activities is reflected honestly in the report. When making a business decision, the consumer should believe in the accuracy of the information provided and the integrity of the financial statements and the information contained therein should be in line with the real business situation and that no error or misstatement in the report data should be confirmed by an audit.

- Significance - another factor of the relevance of the information presented in the financial statements is considered to be significant for its content.

The user forms an objective idea not only about the entity's past performance but also determines the future prospects for future business activities. Based on the principle of importance, commitments, revenues, expenses and economic transactions, as well as the components of the transaction, are reflected on the basis of warranty. Therefore, all information that can have a significant impact on the decision-making of information consumers is important. Substances or phenomena that do not have great importance should be reduced. In the accounting and reporting practice, the indicator less than 5% is considered to be significant.

- Neutrality. According to this principle, the information must be available to those who are already in use, meaning that the interests of a group of people who are involved in the seizure of weapons should not be preferred over the other group.

Therefore, when formulating its financial statements on that basis, an entity should not attempt to subordinate the interests of a group of users of financial statements to another group.

- Compatibility. - information must be compiled on a comparable basis. Comparability of an accounting policy involves comparisons of the time periodicity of the prior period with the effective yields of the prior period. According to this indicator, users of financial statements should be able to compare the activities of similar companies (working in the same sector) based on these reports. The company itself should also be able to compare their personal accounts at different times. Therefore, the evidence of war crimes is a minimum of two years. Comparison of financial statements should be provided in the following two ways (Velieva, 2008) :

1 .Corporate surveillance - comparing a company 's financial performance with another company' s financial activity.

2. Vertical reciprocity - to compare the financial performance of a company with its previous period.

- It is essential that users of the financial statements should be actively used, as it is required to include in the report. This indicator requires all relevant information to be reflected in the financial statements.

If the information in the financial performance assists the beneficiaries, this information is considered relevant. In this case, the relevance of the financial information information is influenced by the following factors: prevalence, significance, predictability and validity of results

- Reliability - This statement should provide reliable information in the financial statements. The information is then credible enough to keep this information away from important errors and omissions. Any intermittent, but not reliable, information should not be indicated in the financial statements.

The difference between reliability and relevance is explained as follows: (Абрютина, Грачев, 2000: 15).

1.The occurrence of disclosure is the factor that should be disclosed, which information should be specified.

2. 2. Reliability is the factor that depends on the quality of the information: from which source the information is obtained, how accurate and correct it is, and so on.

3. It may be better if the intangible, but not reliable, information is included in the financial statements.

4. More reliable information should be presented in the financial statements.

- Fitness should be wounded to consumers during the formulation of the economic decision. It is known that the quality of information and its usefulness are characterized as the source of information about the entity's financial and economic activity. It should be noted that the financial information information should be useful for the specific economic decision-making categories of the user. (Бердникова, 2009: 3)

- Clarity - information should be provided to consumers in an understandable way. The reporting information provided to make the information clearer should be clearly and clearly understood by their classification and other indicators.

- Consistency - this means that the financial statements prepared for the various periods should be complied with the same principles, that is, the same. According to this indicator once adopted the rules should be applied continuously at other times. However, new methods may be used to prepare financial statements if:

1. If the new method is more appropriate;

2. The new method has been presented and explained by IASB; 3. If any change in the entity's business has occurred and a new method is required.

- Cautiousness - should not be more than the profit for this claim, and all expected losses should be noted. This means that all expected losses should be considered and immediately mentioned. Earnings should be deducted at the time of the transaction.

? Fair presentation - the meaning of this indicator is as follows (Vergilər Məcəlləsi, 2000):

1. Financial statements should be prepared in a most precise way, where no one should be a mathematical error.

3. If any change in the entity's business has occurred and a new method is required.

- Cautiousness - should not be more than the profit for this claim, and all expected losses should be noted. This means that all expected losses should be considered and immediately mentioned. Earnings should be deducted at the time of the transaction.

The analysis of these areas can be carried out at various degrees of detection determined by the analyst and dependent on subjective and sub-factors. Within the framework of the analysis, the auditing, analysis and analysis are conducted on the basis of few basic indicators. In this case it is possible to carry out an analytical evaluation in a short time. Deep financial analysis is more labor-intensive.

Therefore, it is a financially-oriented, financial analysis of the analytical approach to the market economy. An accountant, as well as an enterprise manager, should know the fundamentals of the financial analysis, including the content, indicators and items of the financial statements and their relationships.

There is also a distinction in the organization of analytical work: the roles and essences of co-generation methods, rules and methods of analysis are changing. In addition to traditional methods, analytical work can be used without modifying it.

CONCLUSION

1. In recent years, deep changes have taken place in the life of the Republic. Preparation and approval of national accounting standards (IAS) on the basis of international standards of accounting and reporting, establishment of affiliated societies and private companies through economic relations with the developed countries, including the promotion of relations with developed countries relationships and development of their relationships.

Establishing good relations requires not only the performance of the business, but also the improvement of its impact on accountability and efficiency.

2. Accounting level is a key element in the information system. Also, the quality of information influences on the quality of the economic analysis and the management decision made. However, there are also deficiencies in accounting records that cause the entity's misbalance. These deficiencies are divided into general and individual deficiencies.

Group I includes:

- Failure to comply with the domestic system of accounting;

- Inflation that affects the creation of conditions that do not provide a comparable level of different items in different periods;

- directing (directing) the vehicle to the fleet.

There are no distinctive distortions in the following:

- reducing the amount of accounting infor- mation objects that are incompatible with its substance and by reducing losses through the expenditure item of the Gålck period;

- deleting the balance of the goods in the "Loaded Goods" item and presenting the income of the future as the profit of the period;

- Misrepresentation of information on the acceleration of commitments;

- Removal of evaporative substances; compiling "balance-sheet" as a balance sheet.

To eliminate the aforementioned distortions, the Ministry of Finance of the Republic of Azerbaijan needs to be accurately reflected in the preparation of the accounting order, the existing accounting system must be adapted to the accounting system, and should accept more accurate information for the settlement of inflation outcomes.

4. One of the shortcomings in organizing the flight is the capabilities of the technolo- gy, the lack of little or no utilization of the software, their application provides a better reflection of the information, and the elimination of most errors.

5. Theoretical aspects of the analysis and management of information have been thoroughly analyzed by the help of a large number of indicators based on review data.

6. The minimal limits of the coefficients used when assessing the liquidity and solvency of an enterprise can not be accepted. The economic situation in the country should determine the minimal limits of these financial factors taking into account the peculiarities of economic development. Assessment of the entity's financial position should be based on the analysis of the financial position and ensure proper performance of the key performance indicators.

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