THE MINISTRY OF EDUCATION OF AZERBAIJAN REPUBLIC

NATIONAL ACCOUNTING STANDARDS FOR COMMERCIAL ORGANIZATIONS

Shahin Mahmudov

UNEC SABAH
Azerbaijan State Economic University

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Initially, I would like to thank to my scientific supervisor, PhD candidate Polad Azizov for his advice, encouragement and patient guidance. I am extremely lucky to have a supervisor who cared so much about my work and responded my questions so promptly.

ABSTRACT

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Shahin Mahmudov

SABAH 2 Finance 2

Supervisor: PhD candidate Polad Azizov

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The reason for the revision is the submission to the management of the elements and experts who oppose the use of IFRS / IFRS in Azerbaijan, why it is important to recognize IFRS / IFRS. The proposal provides for a comparison of current approaches and accounting methods associated with these substances from IFRS / IFRS, and legalize the use of IFRS / IFRS. The offer gives advantages associated with the confirmation of IFRS / IFRS, and demonstrates the problems that the administration of the elements may face.

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INTRODUCTION

How a company presents information in its financial statements is very important, since financial statements are a central feature of financial reporting - the main means of transferring financial information to those who are outside the organization.

Globalization and the expansion of transnational business have led to an increase in the need for uniform rules so that financial reports in different countries are prepared on a similar basis and there would be no room for interpretation. Although at the international level various professional accounting organizations make efforts to harmonize the rules of financial reporting, for many reasons it was a sharp criticism of the address of financial statements. First, there are too many alternative ways of presenting financial information in financial statements (IASB, 2008). This makes it difficult to compare the financial reports of different organizations and makes it possible to make false conclusions about the success of the organization. Secondly, subjects in different countries make different demands on how to prepare financial reports (European Commission, October 25, 2011). This situation complicates the interpretation of financial results of organizations and the comparison of financial statements at the international level. Third, the financial reporting requirements set by companies often do not take into account the size of the company, and this raises the question of the need for differential reporting (Cole et al., 2012;

Fourth, what users view in the financial statements is different, and therefore, when compiling financial statements, the company must take into account the interests of the most significant user groups.

Taking into account the above criticism, it is important to analyze the structure of financial accounting in Azerbaijan and to conduct a study of whether users of financial reporting in Azerbaijan are experiencing the same problems. Taking into account that 99.9% of Azerbaijani companies are small and medium enterprises (SMEs), the author has concentrated research on these specific companies.

In addition, this doctoral dissertation contains a comprehensive review of changes in the accounting legislation of Azerbaijan from 1990 to 2012 using institutional theory. Firstly, only a few publications on accounting in Azerbaijan are published, and there is practically no educational literature based on registration, even at the local level in the Azerbaijani language. Therefore, this doctoral dissertation tries to fill this gap and gives a complete overview of the main changes. Secondly, this thesis uses institutional theory when analyzing country-specific factors affecting the development of financial accounting and reporting in Azerbaijan, as the interaction between practices, subprograms and institutions.

From an international perspective, this doctoral dissertation provides a full overview of various equity theories and links them to the conceptual framework of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). Although few authors have explored the conceptual framework using theories of justice, its application is generally underestimated, especially in terms of what the objectives of financial reporting are and who are considered users of financial reporting. In addition, the doctoral dissertation aims to provide an overview of the evolution of equity theory by determining the prevailing theory of the period and identifying the main users from the perspective of which financial reporting should be presented.

The aim of this doctoral dissertation is to first formulate an understanding of how current and future accounting standards that govern the preparation of financial statements of SMEs are expected to meet the needs of users. Secondly, how should a complete set of financial statements look that satisfy the needs of interested parties in Azerbaijan.

Although a general research question is aimed at identifying the needs of users of financial statements of SMEs and drafters in Azerbaijan, a broader approach to this issue should be considered. Since the economy of Azerbaijan is not a closed system, it is necessary to analyze the international factors influencing the development and compilation of accounting standards in Azerbaijan. It also means defining the basic concepts of current accounting standards and linking them to a comprehensive theory. The contribution of the theses from an international perspective is that the results of this study have implications for the regulatory authorities that are currently considering developing guidance for SMEs. From an EU perspective, this study can provide valuable information to Member States on how to implement the new Accounting Directive 2013/3.

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CHAPTER 1. THE NATIONAL ACCOUNTING SYSTEM: BASIC CONCEPTS AND PRINCIPLES

1.1 Definition and introduction

In the course of the historical development of society, national accounting systems have emerged and are constantly improving. By the late 60's. in the world more than 100 national accounting systems were formed, there were attempts to define the national accounting system.

Each national accounting system is characterized by a number of principles: methods for recording and assessing production stocks, calculating depreciation and recording it, recording foreign currency and reporting, etc. In addition, national accounting systems have different approaches to reporting forms and a list of indicators, ways to control the activities of firms.

There are certain differences in national accounting systems for almost all features. According to the results of the analyzes carried out by VI Tkach and MV Tkach, the methodology for assessing the production reserves in each country is different.

In some countries, such as Germany, the United States, Japan, England, the methods for assessing resources are regulated by law, which helps the state obtain maximum profit. However, a number of countries (for example, Belgium, France, Italy, Switzerland) use methods that are beneficial for companies and less favorable for the state.

Thus, it can be concluded that the national accounting system allows solving certain tactical and strategic tasks of the country's economy development by issuing the relevant legislative acts regulating the national accounting system.

In general, the national accounting and reporting system is characterized by the following main indicators:

availability and use of the system of national accounting standards, developed on the basis of international standards, taking into account the national characteristics of economic development;

presence of the national chart of accounts of accounting, which is the determining factor in the construction of accounting and accounting policy of the state;

system of organization of accounting in the scale of the enterprise;

methodology of determining the final financial result of the enterprise;

the financial reporting system with the specification of standard forms and applications in relation to international standards.

Important in studying and determining the national accounting and reporting system is the existence of a legislative base and other normative documents that are the basis of the organization of accounting, their compliance with international practice and approved standards.

The degree of development and study of these basic indicators of the national accounting and reporting system in many respects characterize the accounting policy of the state, the state of accounting and reporting in comparison with world practices and international standards.

International accounting standards reflecting various aspects of methodology and organization of accounting in the system of market economy are developed and published by the Committee of International Accounting Standards (KMSU), which was established in 1973 under the agreement of accounting organizations of Australia, Canada, France, Germany, Japan , Mexico, the Netherlands, Ireland and the United States.

The main tasks of the KSU are the formation and publication in the public interest of accounting, reporting and audit standards to be applied in the organization of accounting, preparation and presentation of financial statements, work to improve and harmonize accounting regulations, standards, etc.

However, the international accounting standards approved by the CMSS do not distort or abolish national standards, they are used by different countries as guidelines for the development of their national accounting and reporting standards. Individual countries use international accounting standards after their finalization and adaptation to national characteristics and accounting requirements, while others use them as a basis for detailing national accounting requirements. In some countries, the requirements of international standards are incorporated into national laws without much change.

The emergence of market relations in the economy of the Republic of Azerbaijan, the expansion of foreign economic activity require the improvement of accounting and reporting in accordance with the requirements of international practice to ensure the comparability of accounting indicators with those of other countries. And this is possible if there are national accounting and reporting standards that reflect the features of economic development and the state of the economy of the Republic of Azerbaijan and at the same time comply with international standards.

Attempts by individual enterprises to independently take measures to introduce separate norms of international accounting and reporting standards without the presence of an appropriate regulatory framework to success have not resulted.

The determining factor in the proper organization of accounting, ensuring reliability and improving its management functions is the chart of accounts.

The issues of creation, improvement and implementation of charts of accounting accounts in the world have for many years been given great attention to scientists and specialists. A new chart of accounts for enterprises at the enterprises of the Republic of Azerbaijan was introduced in 1993, it is close to regional interethnic accounts plans, current conditions do not fully meet the requirements of international accounting standards and accounting principles and the organization of accounting in a regulated market economy. With the introduction of market relations in the economy of our country, we constantly have to make appropriate adjustments to it. In developing this chart of accounts, market principles of management, competition, international enterprise management systems based on the use of financial and managerial accounting data, international standards of audit control, financial reporting systems consistent with the standards of the International Accounting Standards Committee were not taken into account. In countries with developed market economy for several decades there is a division of accounting into financial and management. blame the relationship of enterprises with the state, banks, shareholders, suppliers, i.e. solves issues of external activity. The management is aimed at solving internal problems related to improving the performance of structural units (responsibility centers). At the same time, in different countries, the relationship between financial and management accounts is carried out in various ways. In our republic, as in other CIS countries, there is no division of accounting into financial and managerial accounting. All sections of property accounting, production and circulation costs, production and sale of products, credit and settlement transactions, financial results and reserves are covered by a unified accounting, uniform methodological and normative documents are used. Centralization of accounting at enterprises of the former USSR was carried out on the basis of the resolution of the Council of Ministers of the USSR from 06.01.1964 "About measures on elimination of serious lacks in the organization of book keeping and strengthening of its role in realization of the control in a national economy" which was a prize but necessary to concentrate in the central accounting records company. Performed work on centralized accounting promoted while improving the efficiency of accounting, introduction of mechanization and automation, strengthening its control functions. However, today there are no scientific developments and justification, as well as regulatory and legislative acts on the organization of accounting in the scale of the enterprise, the appropriateness of dividing accounting into financial and managerial, the advantages of one form or another of its organization. Today, organizational forms of accounting at enterprises of the Republic of Azerbaijan fully meet the requirements for it, while there is no need to divide it into financial and management. However, wider introduction of market relations in the economy, denationalization and privatization of state property, creation of joint-stock companies and other societies, may in the near future lead to the creation of prerequisites for enterprises to divide accounting for financial and managerial. The international accounting systems are based on the use of method of determining the final financial result "input-output", the creation of which began the Soviet economists in 1924-1928. This method was recognized internationally in the economy thanks to the work of Vasily Leontyev, Nobel Prize winner in 1973. The basis of this method is to measure the cost of output with the costs of supply, production and sales, adjusted for changes in the value of the resource balances at the beginning and end of the period. At the same time, the release (sale) of products is determined by the moment of transfer of goods or services to the buyer and does not depend on the moment of payment. The application of the "input-output" method in the Azerbaijan economy would allow the use of synthetic accounts from cumbersome calculations of the actual cost of produced and sold products, from the application of the cash basis for determining the realized result. The input-output method significantly increases the efficiency of accounting, it is convenient for organizing control over the use of cash and production resources.

The accounting system at the national and international level is largely characterized by the state of the financial statements. It should be directed, in addition to providing the enterprises with real and reliable information, to search for better options for progress, to solve not only tactical, but also strategic tasks. Financial reporting is prepared in the interests of consumers of this information. Reporting differs not only in form, but also in essence and in the amount of information presented in it.

The content of the reporting depends on who it is for the national traditions. The structure and content of the reporting are largely determined by differences in the national systems of accounting standards. In some countries, standards set out a number of articles and indicators, which are recommended to be included in the reports. Nevertheless, companies independently include in their reports analytical information, which they consider necessary. In the world there is a tough competition for additional sources of financing, therefore companies that need them are forced to include in the annual reporting more detailed and analytical information. In the broad sense, analytical information is understood as any data that can be obtained from any sources in addition to information contained in the financial statements: balance sheet, statement of financial results, etc. All additional analytical information can be grouped into the following groups: analytical information on the structure and territorial distribution of production capacities, analytical information on shares and shareholders, information on the company's contribution to improving the well-being of society, information on labor, data on environmental protection, etc. The need for saturation of the report with additional analytical information is caused by existing national differences in accounting practice. Until these differences are eliminated, the need for additional analytical information remains. However, one should not forget that accounting statements (balance sheet, statement of financial results, etc.) provide basic information about the company's activities. The indicators given in them are calculated in accordance with the current national standards, which can not be arbitrarily replaced or ignored by accountants. Compliance with these standards can not be replaced by the inclusion of additional information in the report. The economic environment in any country has its own national coloring, and this is reflected in the financial statements of enterprises. Companies wishing to find foreign sources of financing are trying to ensure that their annual reports meet the requirements of foreign investors as much as possible. Financial reporting is the main means of communication. And its ineffective use can lead to financial losses, since investors, having claims to the reporting of an enterprise (companies) and not wishing to risk their capital more, may simply refuse to invest further their activities. Reporting needs to be constantly improved by shortening the terms of its submission, publication basic indicators of reporting, etc. The development of national accounting systems leads to the creation of interethnic systems that use the basic principles of one silt several national systems with the spread of a group of states.

1.2 Concepts and Principles of Financial Accounting

The basic accounting concepts are referred to as the fundamental ideas or basic assumptions underlying the theory and practice of financial accounting and are broad working rules for all accounting activities and developed by the accounting profession. The concept is a system of views on something, the main idea.

The accounting concepts, which will be discussed, are not so obvious, and nowhere and no one is approved. Theorists can argue about certain concepts, but the examination of their essence and their application in practice serve as proof of the vitality of these concepts. Consider these concepts.

The concept of monetary measurement. Money is a generally accepted measure of measurement, through which the heterogeneous facts about the organization can be expressed in the form of numbers that can be added and subtracted. For example, the company owns 1 million dollars in cash, one building, cars, two hectares of land, the copyright for the release of commercial equipment. These assets can not be summed up to determine what the organization owns. However, by expressing their value in monetary terms, you can determine the total amount of the organization's assets. In our example, suppose that the building value in money terms is 5 million dollars, the cost of 5 cars is 4 million dollars, two hectares of land-8 million dollars, the cost of copyright is 2 million dollars, then the total value of the company's assets in financial accounting will be 20 million dollars. This concept is fixed in the Law, On Accounting. The concept of a separate enterprise. This concept reflects the fact that the accounts of the business unit are kept apart from the owners' accounts. For example, 100,000 dollars for personal needs were taken from the fund of organizations by its founder. In any case, this money belongs to the owner (regardless of what pocket money lies - the pocket of the organization or the pocket of the owner), but the accountant in accordance with the concept of a separate enterprise should show a reduction in the organization's money. Accounting records reflect only the economic operations of the organization itself, as an economic unit.

The concept of an operating enterprise. This concept assumes that an enterprise as an economic unit is an organization that operates for an indefinite time and there is no confirmation that the organization is being liquidated (for various reasons), in which case the assets of the organization will have to be constantly valued at current value. While an operating organization, whose resources are used to produce goods or provide services, ultimately sold to customers, at the time of sale recognizes the value of goods, services at a selling price. The operating organization does not need to determine the cost of individual machines, mechanisms, materials and other means used in the production or provision of services because there is no intention to sell separately. The concept of cost accounting. In accounting, assets (money, fixed assets, intangible assets, inventories and other property) are initially recorded at their cost - the purchase price. This cost is the basis for all subsequent accounting of the asset. Usually this amount is not affected by the following changes in the price of the asset. Investors and others are more interested in determining the actual value of an economic entity in the present than the original value of assets. However, the concept of value provides a relatively objective and stable basis for accounting reports.

Users of financial information, knowing that it is based on the concept of value, must come to their own assessment of current value.

The concept of double entry. The balance equation is the equity of the organization's assets and liabilities. This equation determines the duality of accounting. On the right side of this equation is the assets of the organization represented by fixed assets, intangible assets, inventory, cash, receivables and other assets, the left part being the claims of owners and creditors to these assets. The requirements of the owners of the capital and creditors of the organization can not exceed the assets of the organization, therefore the equality of the right and left side of the balance equation will never be violated. The concept of double entry allows you to look at the points of view: any funds used by the organization (for example, purchase of inventories) are taken from somewhere (for example, a bank loan was received). At that time, any funds received by the organization (for example, the funds of the organization's owners or the share capital) should be used in some way (for example, to purchase assets or put on deposit with the bank).

Concept of the accounting period. In accordance with the concept of the current organization it is assumed that the work of the organization is not limited in time. However, users of financial information (primarily the management of the organization) need to periodically know about the state of the financial situation of the organization.

This need determines the concept of the reporting period, which means that accounting reflects the activities of the company for a specific period of time, called the accounting period. The calendar year is defined by the legislation of the Republic of Azerbaijan, accounting periods for all organizations.

The accounting concepts discussed above are of a general nature for the formation of information on the assets, liabilities and own capital of the organization.

They are also used in assessing the incomes and expenditures of subjects. At the same time, there are concepts related to the issues of determining only the income and expenses of the organization and, accordingly, influencing the formation of the final results of its activities. The application of these concepts is reflected in the report on the results of financial and economic activities. This is the concept of conservatism (caution), linking income and expenditure, implementation. The accrual method is based on the last two concepts.

The concept of conservatism (caution). The management of the organization usually wants to present the financial position of the organization it manages in a more favorable light than it really is. In accordance with the concept of conservatism (caution) for recognizing an increase in the entity's income, more weighty grounds are needed than for recognizing a decrease in revenues (i.e. expenses). The concept of conservatism (caution) has two sides:

1. income is recognized only when there is reasonable certainty.
2. The expense is recognized when there is a reasonable possibility.

On the concepts of conservatism (caution), Accounting Standard No. 5

Income.

Consider the example of income recognition. Suppose that you decided to buy in December 2002 a car from the company Toyota with its delivery in January 2003. In life there are different situations, and car sales may not materialize. In accordance with the concept of conservatism (caution), Toyota should recognize the revenue for the sale of the car only when the car is delivered to you: if the car is delivered in December, the income is recognized in 2002, but if the delivery is made in January 2003 , then the income is recognized in 2003.

Consider, for example, the recognition of costs. Let's admit at the same company Toyota in December, 2002 from the warehouse the insured car disappeared. It is not known whether a car will be found (it may have been stolen). Suppose that by the end of the year, the company has no reason not to be sure that there is a car. However, in accordance with the concept of conservatism (caution), the company Toyota should recognize in December 2002, the cost of the disappeared car.

In case of recognition of income from the sale of the car, the company has reasonable assurance (the fact of delivery of the car to the buyer). In the event of a vehicle disappearing from the warehouse, it is sufficient to recognize the expense.

The concept of implementation. From the previous examples it is clear that the concept of conservatism (caution) determines the period in which income should be recognized.

What amount of income needs to be recognized as an economic transaction can be determined with the help of the implementation concept. This concept is also closely related to the accounting standard Income. In accordance with this concept, the amount of recognized income from the sale of goods, works, services. For example, the sale of goods at a discount - in this case, the income is recorded at a lower amount than the usual selling price. When selling goods on credit, the company expects that all buyers will pay the bills. However, practice shows that not all customers pay their bills, so the income should be reduced by the amount of non-receipts (the amount of doubtful debts).

The concept of linking income with spending. Any sale of goods, works, services always has two aspects:

1. reflection of income, which means an increase in undistributed income.

2. Reflection of expenses, which reduces retained earnings, as assets have left the company.

The result of this operation will be correct if incomes and expenses on it will be reflected in one accounting period. This is the essence of the concept of linking income with costs-if an event affects both income and expenditure, the impact on each of them should be reflected in a single accounting period.

The accrual method is based on the concepts of implementation and linking income with costs. In accordance with it, the results of business transactions and other events are recognized upon their occurrence, and not when the funds are received or paid (in the IASC Principles, the accrual method is attributed to the underlying assumptions on which the company's financial statements are based). This method was an alternative method - a cash method, according to which the income is not taken into account until the money is received. Expenses are also recognized as they are paid.

The financial reporting concepts establish and define the properties of accounting information, reflecting its usefulness for the decision-making process.

According to the Law on Accounting, the following principles and main qualitative characteristics of accounting and financial reporting exist:

1. charge; continuity; intelligibility; relevance; reliability; comparability.

The main criterion for evaluating the company's financial reporting by users is its utility. The four qualitative characteristics that make information useful in financial reporting are clarity, relevance, reliability and comparability.

Clarity. The main quality of information provided in the financial statements is its accessibility for understanding. It is assumed that users should have sufficient knowledge in business and economic activities, accounting and the desire to study information with due diligence. However, information about complex issues that is important for economic decision-making by users should not be excluded from financial statements because it may be too complicated for users to understand.

Relevance. Information is relevant when it affects the economic decisions of users, helping them evaluate past, present and future events, confirm or correct their past decisions. The prognostic and confirmatory functions are interrelated. Information on the financial position and performance of past periods is often used to predict future financial position and performance, as well as other aspects directly interested in users. For example, the forecast potential of a report on the results of financial and economic activities is increased if non-standard, unusual and rare items of income or expenditure are disclosed separately. Reliability. The reliability of information is seriously influenced by its nature and materiality. Materiality is not a qualitative characteristic for the usefulness of financial information. Information is considered reliable if its omission or distortion can affect the economic decisions of users. Comparability is a characteristic feature of the relationship between two types of information, rather than within one of them.

It gives users the opportunity to identify the similarities and differences in the information provided in two packages of financial statements of one entity in two periods or at a certain point in time. Comparability of financial statements of an economic entity is strengthened with the constant use of the same accounting policy. There are two aspects of comparability-a sequence that determines the use of the same accounting policy from year to year and unity, meaning that companies that use similar transactions and operate under similar circumstances use the same accounting principles.

Relevance refers to the acceptability of accounting information for various categories of external users who are authorized to make decisions when using financial statements. They use accounting information in pursuit of their goals:

1. Forecasting the economic future.

2. Confirmation of the reliability of previous forecasts in order to improve future techniques of forecasting.

Measuring the degree of reliability of accounting information is possible using the following three aspects of quality:

1. Timeliness. Accounting information should be available to external users authorized to make decisions. Like the world news, outdated financial information never exerts such an impact as fresh information. Lack of timeliness reduces the degree of significance.

2. The value of forecasting. Accounting information should be useful to external users authorized to make decisions by increasing their ability to

accurately predict the results of past or current events. Those who are authorized to make decisions that use accounting information that has little or no value in forecasting, simply make guesses.

3. Feedback. Accounting information should also be useful to external users authorized to make decisions, when confirming past forecasts or when making any adjustments, amendments to current forecasts.

Accrual basis. According to this method, the results of operations and other events are recognized on the fact of their commission (and not when paid). They are reflected in the accounts and are included in the financial statements of the periods to which they relate.

The financial statements prepared using the accrual accounting method inform users not only about past transactions related to the payment and receipt of funds, but also about the obligation to pay money in the future, and about the resources representing future cash flows.

- Continuity of activity. Financial statements are usually prepared on the assumption that the company is acting, and will act for the foreseeable future. Thus, it is assumed that the company is not going to and does not need to eliminate or significantly reduce the scale of its activities; if such intention or necessity exists, the financial statements must be compiled on a different basis, and the applicable framework should be disclosed.

CHAPTER 2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Financial Accounting Standards

In order to facilitate understanding of financial statements by its users, a number of generally accepted accounting principles (GAAP) were developed, consisting of criteria, rules and procedures commonly referred to as accounting standards as a guide to financial accounting and reporting.

As discussed earlier when determining users of accounting information, enterprises of different countries compose and present financial statements in different ways. Moreover, in some countries, such as France, Germany and Japan, accounting standards are established by law; at the same time in other countries, such as Australia, Canada, Sweden, the United Kingdom and the United States, the accounting profession is more actively involved in the standard setting process. For example, in the United States, the Financial Accounting Standards Board establishes accounting standards, which are then monitored by the US Securities and Exchange Commission, which is a public body for the protection of investors.

The purpose of the International Accounting Standards Board (IASB) is to harmonize regulations, accounting standards and procedures around the world by developing a set of International Accounting Standards that all can agree with.

Standards adopted before 2001 are called International Accounting Standards (IAS), all subsequent standards are called International Financial Reporting Standards (IFRS). Given that the main purpose of financial reporting is to provide information useful for making economic decisions, the IASB believes that these accounting standards will meet the needs of most users.

Of course, national standards bodies and governments will also want to include some differing or additional requirements for their own purposes, but this should not prevent the basic need to provide relevant information for economic decision-making.

However, accounting standards do not resemble the immutable laws of nature used in such areas as chemistry and physics. They are developed by accountants, businesses and legislators to meet the needs of decision makers and can change as best practices or circumstances change.

In this material, we present the main elements of accounting practice based on international accounting standards. We also try to explain the reasons or theory behind the practice, and adopt a global perspective that takes into account the practice of different countries, where appropriate.

Both theory and practice are part of the study of accounting. It should be understood that accounting is a constantly changing, growing and improving discipline. Just as for the introduction of a new surgical method or life-saving medicine, years of research are required, and it may take years for research and discovery in accounting. As a result, you may encounter in practice with inconsistent cases.

International Accounting Standards - IAS / IAS

IAS 1. Presentation of Financial Statements.

IAS 2. Stocks.

IAS 7. Statement of cash flows.

IAS 8. Accounting Policies, Changes in Accounting Estimates and Errors.

IAS 10. Events that occurred after the balance sheet date.

IAS 11. Construction contracts.

IAS 12. Income Taxes.

IAS 14. Segment reporting.

IAS 16. Fixed Assets.

IAS 17. Leases.

IAS 18. Revenues.

IAS 19. Employee Benefits.

IAS 20. Accounting for Government Grants and Disclosure of Government Assistance.

IAS 21. The Impact of Changes in Exchange Rates.

IAS 23. Borrowing Costs.

IAS 24. Disclosures about related parties.

IAS 26. Accounting and reporting on pension schemes.

IAS 27. Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

IAS 28. Accounting for Investments in Associates.

IAS 29. Financial Reporting in Hyperinflationary Economies.

IAS 30. Disclosure of information on financial statements of banks and other financial institutions.

IAS 31. Financial reporting on participation in joint activities.

IAS 32. Financial Instruments: Disclosure and Presentation of Information.

IAS 33. Earnings per share.

IAS 34. Interim Financial Reporting.

IAS 36. Impairment of Assets.

IAS 37. Provisions, Contingent Liabilities and Contingent Assets.

IAS 38. Intangible Assets.

IAS 39. Financial Instruments: Recognition and Measurement.

IAS 40. Investments in real estate.

IAS 41. Agriculture.

2.2 International Financial Reporting Standards (IFRSs)

International Financial Reporting Standards (IFRS) is a set of international accounting standards that specify how specific types of transactions and other events should be reflected in the financial statements. IFRS are published by the Council on International Financial Reporting Standards, and they accurately determine how accountants should maintain and present accounts. IFRS have been created in order to have a common language of accounting, because business standards and record-keeping can differ from company to company, and from country to country.

The purpose of IFRS is to maintain stability and transparency in the financial world. This allows enterprises and individual investors to make qualified financial decisions, as they can accurately see what is happening with the company they want to invest in.

IFRS are standard in many parts of the world, including the European Union and many countries in Asia and South America, but not in the United States. The Securities and Exchange Commission (SEC) is in the process of deciding whether to adopt standards in America. The countries that benefit most from the standards are those who are leading international business and investing in it. Experts suggest that the global implementation of IFRS will save money on alternative comparative costs, and will also allow for more free information transfer.

In countries that have adopted IFRS, both companies and investors, it is advantageous to use this system, since investors are more likely to invest in the company if the company's business practices are transparent. In addition, the cost of investment is usually lower. Companies that conduct international business benefit most from IFRS.

IFRS Standards

The following is a list of effective IFRS standards:

Conceptual framework for financial reporting

IFRS 1 First-time Adoption of IFRS

IFRS 2 Share-based Payment

IFRS 3 Business combinations

IFRS 4 Insurance contracts

IFRS 5 Non-current assets held for sale and discontinued operations

IFRS 6 Exploration and evaluation of mineral resources

IFRS 7 Financial Instruments: Disclosures

IFRS 8 Operating Segments

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint activities

IFRS 12 Disclosure of Participation in Other Entities

IFRS 13 Fair value measurement

IFRS 14 Deferred Tariff Differences Accounts

IFRS 15 Revenue under contracts with customers

SICs / IFRICs Decisions on the interpretation of standards

IFRS for Small and Medium Enterprises

Presentation of financial statements in accordance with IFRS

IFRS covers a wide range of accounting transactions. There are certain aspects of business practices for which IFRSs establish binding rules. The fundamentals of IFRS are the elements of financial reporting, the principles of IFRS and the types of basic reports.

Elements of financial statements in accordance with IFRS: assets, liabilities, capital, income and expenses.

IFRS principles

Fundamental Principles of IFRS:

principle of accrual. In accordance with this principle, events are reflected in the period when they occurred, regardless of the movement of money.

the principle of business continuity, which implies that the company will continue to work in the near future, and the management has no plans or the need to curtail activities.

Reporting in accordance with IFRS should contain 4 reports:

A statement of financial position: it is also called a balance sheet. IFRSs influence how the balance components are interrelated.

Statement of Comprehensive Income: This can be one form, or it can be divided into an income statement and an income statement, including property and equipment.

Statement of changes in equity: also known as a statement of retained earnings. It reflects changes in profit for the financial period.

Cash flow statement: this report summarizes the company's financial transactions for the period, while cash flows are divided into flows for operating activities, investments and financing. Recommendations on this report are contained in IFRS 7.

In addition to these basic reports, the company must also submit applications with a summary of its accounting policies. A full report is often considered in comparison with the previous report to show the changes in profit and loss. The parent company must create separate reports for each of its subsidiaries, as well as consolidated financial statements of IFRS.

Comparison of IFRS and American Standards (GAAP)

There are differences between IFRS and generally accepted accounting standards of other countries that affect the calculation of the financial ratio. For example, IFRS are not so strict in determining revenue and allow companies to report incomes more quickly, therefore, therefore, a balance within this system can show a higher revenue stream. IFRS also has other cost requirements: for example, if a company spends money on development or investments for the future, it does not need to show them as an expense (that is, they can be capitalized).

Another difference between IFRS and GAAP is the definition of inventory accounting. There are two ways to track stocks: FIFO and LIFO. FIFO means that the most recent inventory unit remains unsold before the sale of the previous stock. LIFO means that the latest unit of inventory will be sold first. IFRS prohibits LIFO, while US and other standards allow participants to use them freely.

History of IFRS

IFRS arose in the European Union with the intention of spreading them throughout the continent. The idea quickly spread around the world, as the common language of financial reporting allowed to expand communications around the world. The United States has not yet adopted IFRS, as many see US GAAP as the gold standard. However, as IFRSs become a more global norm, the situation may change if the SEC decides that IFRS is appropriate for US investment practice. Currently, about 120 countries use IFRS, and 90 of them require that companies' IFRS. IFRS are supported by the IFRS Foundation. The mission of the IFRS Foundation is to ensure transparency, accountability and efficiency in financial markets around the world. The IFRS Foundation not only provides and monitors financial reporting standards, but also makes various suggestions and recommendations to those who deviate from practical recommendations. The purpose of the transition to IFRS is to maximize the simplification of international comparisons. This is complicated, because each country has its own set of rules. For example, US GAAP is different from

Canadian GAAP. The synchronization of accounting standards around the world is a continuous process in the international accounting community.

Transformation of financial statements in accordance with IFRS

One of the main methods of preparing financial statements in accordance with the requirements of IFRS is a transformation.

The main stages of the transformation of financial statements in accordance with IFRS:

Development of accounting policy;

Selection of the functional and presentation currency;

Calculation of initial balances;

Development of the transformation model;

Evaluation of the corporate structure of the company with a view to identifying subsidiaries, associates, affiliates and joint ventures included in the accounting records;

Identify the features of the company's business and gather the information needed to calculate the adjustment adjustments;

Regrouping and reclassification of financial reports according to national standards before IFRS.

Automating IFRS

Transformation of IFRS financial statements in practice is difficult to imagine without its automation. There are various programs on the 1C platform that allow you to automate this process. One such solution is WA: Financier. In our solution, it is possible to translate the accounting data, carry out mapping on the accounts of the IFRS accounts chart, make various adjustments and reclassifications, and eliminate the intra-group turnover when consolidating the accounts. In addition, four main IFRS reports have been set up.

CHAPTER 3. THE ROLE OF FINANCIAL ACCOUNTING IN BUSINESS

3.1 The benefits of IFRS/IAS application

The purpose of financial reporting is to be the same language, an information transfer tool - about the performance of the company, its financial stability and creditworthiness, profitability, etc.

As mentioned in the first chapters of the manual, the historical prerequisites and national priorities for the formation of financial reporting in different jurisdictions are different. In Azerbaijan, for example, the state's priority in accounting is the tax interests of the state, we have civil law, and financial statements are formed on the basis of the Accounting Regulations (PBU). In the UK, priority is given to the interests of shareholders and investors, the country has a common law, and financial reporting is formed using UK GAAP (Generally Accepted Accounting Principles).

Of course, one can not say that the Ukrainian language is better (or worse) for interpersonal communication than Polish. It can not be said that the Swedish national standards are worse (or better) for the Swedes than the Dutch ones. They are just different.

In a situation typical for the economies of the 18-19th centuries - the economic closeness of national borders - this poses no problems.

But in the context of globalization of the economy, in conditions when international capital markets appeared, when the shares of Azerbaijan companies are successfully listed on Western exchanges, and foreign investors and lenders are looking for partners in Azerbaijan, the national languages of communication - both interpersonal and reporting standards - are becoming The barriers to these processes.

There is a need to develop or define a single, universal language of communication, an information transmission tool.

For the language of interpersonal communication, this language became de facto English. IFRS assumed the problem of single, global approaches to the formation of financial statements.

The use of unified approaches to the formation of financial statements makes the reporting of companies of different countries working in different sectors of the economy comparable. You can prepare a single set of financial statements - and it will be adopted on both the European and Asian exchanges.

In the context of applying IFRS, users of financial statements are easier to make business decisions, and the rating of companies preparing for them is bound to increase, because the quality and transparency of the reporting prepared according to international standards meet the highest requirements.

From the standpoint of those who prepare financial statements, the transition to IFRS will greatly facilitate their work both with regard to the preparation of reports for a particular enterprise and for their group. It is well known that TNCs incur additional costs in the preparation of financial statements.

3.2 The Role of Accounting in Business

Accounting and finance are integrally related for a business firm. Accounting is the study of how information is gathered and distributed in and out. Finance, broadly, is the study of how firms make the investment and financing decisions they have to make in order to operate their business. Finance needs accounting information in order to operate. Accounting must have financial experts in order to translate accounting information for general use.

The main objectives of accounting systems

Accounting helps the manager: a) manage the processes for which he is responsible; b) coordinate these processes for the organization as a whole. This book focuses on how in practice accounting provides a solution to these problems. The information is generated in the accounting for the following three main purposes:

1. Preparation of periodic (routine) internal reporting for management decisions. It provides information decisions taken with a certain degree of regularity. For example, in the Texaco oil company, decisions are made every day to establish retail prices for products (gasoline at gas stations). Daily reports on gross profit from the sale of gasoline in Texaco are one of the examples of information on which decisions are made on pricing in the company. In the cost control system, Marriott uses weekly cost reports (including items related to pay and energy costs) for each of the hotels.

2. Drawing up of irregular (special) reports for managerial decisions. They generate information to provide solutions in situations that arise without a certain periodicity or constitute a precedent. For example, Xerox's decision to use the performance analysis system was based on an analysis of cost data specifically collected to make this decision. Another example - an organization engaged in the production of consumer goods (such as H. J. Heinz Company), can create a special accounting system for managing the costs arising from the appearance of external marriage. 3. Drawing up external reporting, intended for investors, public authorities and other users. In some cases, information obtained from external reporting can be used by managers of outside organizations to make decisions, for example, by the management of a potential supplier to make a decision about the risk of selling on credit, and not for cash. Another example is the company Twentieth-Century Fox, which provides the screen stars with financial information, as their fees include a percentage of revenue generated from the screenings of the film.

The information for each of the main objectives considered can be formed in the accounting system and presented in various ways. The ideal database consists of numerous detailed micro-sets of information that can be used to provide a variety of tasks. Accountants process information taking into account the practical needs of various external and internal users.

Management accounting, financial accounting and production accounting

Consider the features of managerial and financial accounting. Management accounting is a system for collecting and grouping financial and non-financial information, on the basis of which managers make decisions to achieve the organization's goals. The data of management accounting are used, as a rule, within the firm and do not go beyond it. The main purpose of financial accounting is to generate reports intended for external users. Financial accounting measures and records business transactions and compiles financial statements on the basis of generally accepted accounting principles of GAAP. The managers of the enterprise are responsible for the reliability of financial information provided to investors, government authorities and other interested parties. Thus, managers are interested in both managerial and financial accounting.

Production accounting (otherwise cost accounting) presents data for both management and financial accounting. In the process of cost accounting, the collection, measurement and grouping of financial and non-financial information relating to the costs of acquiring and using resources in the organization. In fact, cost accounting is an integral part of financial and management accounting in the part that relates to the collection and analysis of data on the costs of the organization.

The above distinction between managerial and financial accounting for internal and external data assignments is just one of many distinctive features. Another distinctive feature of management accounting is that it deals with the future (budgeting), as well as the fact that this information influences the behavior of managers and employees of the firm (motivation). Also worthy of attention is the fact that management accounting is not regulated as strictly as financial, by the principles of GAAP.

Reports such as the balance sheet, profit and loss account, the cash flow statement of the organization are used in both management and financial accounting. It can be said that most companies adhere to the principles of GAAP and when working with their internal financial statements. But why? The answer is simple - accounting, based on the principles of GAAP, provides a single and clear way to evaluate the organization's performance for external and internal purposes. But one can not ignore the fact that managerial accounting covers a broader area than financial accounting. It is associated with the development of the organization, the application of strategies and policies in practice, budgeting, justification of various forecasts, the impact on the behavior of employees of the company, etc.

Cost Management and Accounting Systems

Currently, the notion of "cost management" is very often used. Unfortunately, there is still no exact definition of it. We use this term, describing the activity of the manager in the short-term and long-term planning and control of costs. For example, the manager makes decisions about the consumption of materials, changes in the production process, product design, etc. And he takes these decisions on the basis of accounting information.

Cost management has a wide scope. This includes, for example, achieving the goal of reducing costs in subsequent periods of time. It should be noted that the planning and control of costs are closely related to the planning of sales and profit. For example, wanting to increase sales and, consequently, the profit of the organization, managers intentionally go to increase the cost of advertising and product upgrading.

Cost management, as a rule, is not separate, it is often included in the overall strategy of enterprise management.

Now we will illustrate how management accounting contributes to the decision-making process of the planning and control manager.

Planning and control

It shows how the management accounting system in the newspaper The Daily Sporting News (DSN) plays a pivotal role in planning and control decisions. The system allows you to conduct solutions through the organization. Note the following:

Planning is the forecasting of results in the implementation of various alternative ways to achieve the goals of the organization and choosing the best option;

Control - a) checking the implementation of management decisions on planning; b) assessing the effectiveness of these decisions and establishing feedback, which helps in making decisions on planning the activities of the following periods.

Consider the planning process in the DSN. Its key goal is to increase operating profit. Achieving this goal is possible by implementing three alternative options:

change the selling price of a newspaper;

change the advertising fee in the newspaper per page;

reduce the cost of wages by reducing the number of employees.

DSN editor-in-chief suggested the second option, and it was decided in March 2001 to increase the advertising fee to $ 5200 per page (or 4%). In the budget, it was determined that the revenue from advertising would be $ 4,160,000 ($ 5,200 - 800 pages - projected sales in March 2001). The budget is a quantitative expression of the action plan for the future period of time, assistance in coordinating actions for its implementation. The role of budgeting is great not only in the planning process, but also in the control process. Information used in the construction of the budget, as a rule, includes financial and non-financial data of past periods, which are collected in the accounting system in a routine (regular) order.

Now let's take a closer look at DSN's control solutions. One of the decisions taken was the need to promptly deliver information on new advertising prices in the newspaper to sales representatives and advertisers. The monitoring function includes checking the execution of the decision and comparing the actual results with those budgeted. During March 2001, DSN was engaged in the sale of advertising strips, billed and received payments. Exposed accounts and data on receipt of payments were recorded in the organization's accounting system. The revenue from the sale of advertising pages in March was formed from the aggregate of the amounts for individual advertising bills in the same month.

The report shows that in March 2001, 760 advertising pages were sold (40 pages less than planned). The average price for the page was $ 5,080 compared to the planned $ 5200. The actual advertising revenues in March were $ 3,860,800, which is $ 299,200 less than budgeted.

The DSN advertising revenue report provides information for further research and subsequent decisions. The following questions arise. Did the employees of the marketing department manage to persuade advertisers that with a new rate of $ 5200 per page, advertising in the newspaper will sell well? Why was the actual average page charge $ 5080 instead of the budgeted $ 5200? Maybe some sales representatives have concluded contracts at the previous rate? Perhaps other newspapers also had a slight drop in demand for advertising in this period of time? The answers to these questions prompt the managers of the company to take action dictated by this situation, for example, motivate employees of the advertising department to more efficiently attract existing and potential advertisers.

A well-designed plan should be flexible enough, that is, allow managers to use unforeseen circumstances in favor of their company. In no case does monitoring mean that managers can not, to some extent, deviate from the intended plan in individual situations to achieve better results.

Feedback: The relationship between planning and control

Feedback is the link between planning and control; it allows the organization's managers to track how the execution of the management decision is implemented; on the basis of collected and analyzed evidence to draw conclusions regarding the adoption and implementation of future decisions. Feedback can lead to changes in the objectives of the organization, changing the process of implementing the management decision, changing the volume and set of information necessary to predict the market situation, etc. Management accounting specialists play a key role in the feedback process connecting planning and control. We will discuss this in more detail later.

Functions of the accountant in the sphere of management accounting

Management accounting includes three main functions - preparing information for making problem decisions, keeping accounts, and orienting managers to deviations.

Preparation of information for adoption of problematic solutions - comparative analysis of possible solutions, analysis of alternative options and determination of the best of them. For example, in DSN, when making a decision to create an Internet version of the newspaper, an analysis was made of the expected revenue and expected costs for the proposed projects of the three firms.

Account management - data collection and reporting for all levels of management by period and bringing this information to all levels of management. For example, in DSN - it is accounting for data on sales, newsprint purchases, payments.

Orientation of managers to deviations - information support for managers in the management of deviations. This function is associated with the emphasis of managers on the opportunities and problems that arise in the process of implementing the activities of the organization, i.e. on those points that require adjustment. For example, in DSN, managers' attention is drawn daily to: (a) the number of not sold per day and returned newspapers; (b) unit costs incurred in the operation of the printing press. Accountants performing this function should draw managers' attention to the problems associated with deviations, with a view to further adjusting and improving the situation.

Accountants perform these functions at all stages of making managerial decisions. At the planning stage, the most important is the first function - preparing information for making problem decisions. Consider the decision of DSN from the planning sector - to increase revenues from core activities by increasing advertising fees. The bookkeeper should collect statistical information on fluctuations in prices for advertising in DSN and subsequent changes in the revenue amounts received, as well as information on advertising prices set by other newspapers. Information should be carefully analyzed, and based on the analysis, the manager must determine which decision in this situation is most effective, i.e. lead to the desired result for DSN - increase in advertising revenue.

At the control stage, two other functions - account management, as well as managers' orientation to deviations - are more important. At this stage, the information flows back to the manager via the feedback channels. An example of the function of keeping accounts in DSN can serve as an accounting system, in which the data on the income received from advertising are recorded and taken into account. An example of the second function is an analytical report on the decrease in the actual revenue from the placement of advertising in the newspaper in the context of advertisers who have reduced the volume of orders for advertising or altogether lifted orders after the announced price increase. The attention of managers should be directed to these advertisers, they should think about what measures can be taken to return the interest of lost customers to the publication of advertisements in DSN.

Managers are constantly in the process of making decisions. Information collected at the monitoring stage is generally used in planning. Due to the fact that planning and control are among themselves in constant interaction, management accounting specialists can perform all three main functions in interrelation.

Managers work with the information provided to them by accountants, and, thus, are like customers-consumers of their products. Accountants in preparing information should proceed from the interests of managers. For example, the management account team at Johnson & Johnson, the consumer goods company, has the slogans "Be the best" and "Admire your customers." The success of management accounting depends on whether the results of management decisions improve because of the receipt by managers of accounting information. In Nortel, a telecommunications company, managers participate in the certification of employees involved in accounting. Thus, managers and accountants work in direct interaction, rendering each other considerable support.

A chain of values

Equally important in the planning and control of economic processes play both managers and accountants in management accounting. Processes in the course of economic activity proceed in a certain sequence, forming, as it were, a chain of operations or events, at each stage of which the product or service acquires additional utility and value. Taking into account the sequence of processes and adding value to each of them, the term "value chain" appeared. We use the notion of "value" because the usefulness of the product or service increases at each stage, and consequently the value of this product for the consumer also increases. Accountants working in management accounting groups provide information support for making managerial decisions during each process.

Research and development - the emergence of the idea of a new product, service or technological process, the implementation of experimental work. At Sony, this process involves searching for alternative ways of television data transmission (for example, digital communication) and ways to achieve the desired shape of the screen, providing the best image quality.

Development of a product, service or process - detailed planning and design of a product, service or process. Sony at this stage determines the total number of accessories for the TV, and also analyzes the impact on the amount of production costs of alternative models of new developments.

Production - the acquisition and processing of material resources necessary for the production of goods or the provision of services. The manufacturing process at Sony includes the acquisition and assembly of electronic components, as well as the packaging of finished products.

Marketing - the stage of the business process, where companies are engaged in promoting their products and selling it. To promote their TVs, Sony arranges trade presentations in retail stores, and actively uses advertising on television and in the media.

Sales - bringing goods or services to the consumer. This process in the company Sony includes the sale of products through retail stores, delivery through catalogs, etc.

After-sales service - After-sales service in Sony includes a guarantee of repair at the company's expense in the event of a TV failure during the warranty period, and a telephone line where the buyer can receive answers to all questions of interest from qualified specialists.

It is worth noting that each process of the value chain is important and none of them should be missed by the organization. In the case of Sony, it can be said that every process is significant in achieving its main goal - the sale of high-quality TVs to consumers and the emergence of a sense of satisfaction from the purchase.

The top management of the company is responsible for the formation of the enterprise development strategy, and this responsibility extends to the entire value chain.

Increase the importance of management accounting systems in the organization

The management accounting system should be focused on the problems that managers may face in their practical activities. Management accounting plays a key role, helping managers focus on these four points.

1. Orientation to the consumer. Consumers are the foundation of the organization's success. The number of organizations whose attention is focused on their customers is quite large and constantly increasing. For example, ABB (Asea Brown Bovery), a global manufacturer of industrial products, attaches particular importance to this factor:

The orientation towards the consumer is the basic principle that we follow in our business. This is the component that constantly encourages us to ask ourselves the question: "What can we do to multiply the value of the goods for the consumer"? Based on the answer to this question, our further actions are planned.

The problem faced by managers is to determine the optimal amount of resources that need to be invested in order to satisfy customers' requests. When this condition is met, they will move into the category of regular customers and can additionally attract their acquaintances. More details will be discussed in Ch. 13, and in Ch. 16 analyzed the profitability of buyers.

2. Focus on key success factors. The combination of these factors has a direct impact on the economic viability of the organization. These are the following factors:

Expenses. The organization must constantly consider alternative ways to reduce the cost of producing products or providing services.

Quality. Consumers expect to receive goods with a high level of quality; today they are much less tolerant of low quality than before.

Time. The time factor includes many components. The most important of them can be attributed: the time spent on the development of a new product and its entry into the market; The speed with which the organization responds to the needs of consumers and the market; observance of delivery terms of products, etc.

Innovation. To date, the universally recognized fact is the need for an ongoing flow of developing new products, services and technologies to achieve its market success.

Managers of the company are also obliged to monitor not only the efficiency of their own organization, but also monitor the situation on the market and the actions of competitors, as the latter can offer consumers something new and thus lure them to themselves.

These issues will be discussed in more detail in later chapters. In particular, Ch. 5 is devoted to the use of the method of operational calculation (ABC or? AB-costing?); Ch. 12 - Calculation of the given parameters; Ch. 13 - the relationship between innovations in the activities of the organization and customer satisfaction; and Ch. 19 - the cost of quality, "narrow" places and the period of time for the implementation of production.

3. Continuous development. The continuous process of improving competitors' products and technologies makes the organization constantly engaged in market research, research of the customer base. We give the following phrases confirming this idea:

a journey that has no end;

if you do not go ahead, you go back.

To achieve a common goal - maintaining a competitive position in the market - companies operating in different industries, focus their attention on various factors. For example, the airline is looking for ways to increase the proportion of flights arriving on time, in the total volume of its flights. For the Internet company, the most important factor is the provision of its users access to the network without failures and delays; for the company Sumitomo Electric Industries, the Japanese manufacturer of electrical wires and cables, focuses on the factor of reducing costs of production, etc.

This topic will be discussed in more detail in Ch. 6 when describing the kaizen budgets, in Ch. 7, devoted to the process of constant improvement based on the "standard-bone" method and in Ch. 10 in the sub-item "qualification curve".

4. Analysis of the value chain and the supply chain. This topic involves two interrelated aspects:

the fact that each of the economic activities of the organization makes a significant contribution to the value and value of the product;

Integration and coordination of efforts throughout the organization's business processes.

A supply chain is understood to mean the flow of goods, services and information, passing from the initial link (the initial producer) to the final (final consumer). As an example, consider the supply chain of companies that produce soft drinks - Coca-Cola and Pepsi-Cola. Many companies take part in the process of creating this product before it reaches the end user. In the process of managing costs, special attention is paid to the integration and coordination of actions of all links in the chain, that is, of all companies and units involved in this process. More details of these issues are described in Ch. 7, devoted to the analysis of deviations, in Ch. 12 - calculations on the given parameters and in gl. 20, devoted to the concept of "just in time" and the analysis of the supply chain.

The four key points of this sub-paragraph are interrelated. For example, the organization's orientation toward its consumer (theme 1) in many companies is a key component in the development and implementation of a new product (topic 2). Product developers are making every effort to reduce costs across all value chain and supply chain operations (themes 3 and 4).

Key rules of management accounting

In order to successfully prepare information for decision-making, account management, the orientation of managers to deviations, management accounting specialists should always remember the three main rules of management accounting:

use the approach in terms of efficiency;

treat behavioral aspects as carefully as to technical support;

use different costs for different purposes.

Approach from the point of view of efficiency ("costs" benefit?)

Accountants often face the need to prepare information for making decisions on the most rational allocation of resources: for example, to purchase a new software package or hire a specialist? When addressing such issues, it is necessary to be guided by the "cost-benefit" approach from the point of view of efficiency, that is, resources should be directed to those of the alternative options that contribute to the achievement of the main goals of the organization and at the same time are less costly. The main criterion for choosing an alternative is the excess of the expected profit over the expected costs.

Different costs for different purposes

In this book, alternative ways of calculating costs are considered. The main thing to remember is that different ways of grouping and calculating costs are used for different purposes. How often they say: "One and the same shoe can not be just right for everyone". The concept of cost accounting, used for external reporting, may absolutely not correspond to the concept used to compile internal reporting of the enterprise. Consider, for example, advertising costs associated with the launch of a new Microsoft software product. The useful life of the product is 2 years or more. For external reporting (for example, for shareholders), the cost of television advertising is entirely related to the reduction of profits exactly in the year in which they took place. This is a mandatory requirement of generally accepted accounting principles. Conversely, for the purposes of managing an organization (for internal reporting of an organization), the advertising costs incurred can be capitalized and written off to reduce profits over the next few years.

As already mentioned above, financial statements can be targeted both for external users and for use within the organization itself. Therefore, special methods of accounting can be different. If in one situation one method will be applied, then in another situation, it may be more appropriate to apply an entirely different method.

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