

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL GRADUATE AND DOCTORATE CENTER

MASTER DISSERTATION

ON THE TOPIC

**“FINANCIAL REPORTING PROBLEMS IN HOLDINGS: EVIDENCE
FROM GILAN ”**

Aziz Aghayev Vugar

BAKI – 2021

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MASTER DISSERTATION

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**“FINANCIAL REPORTING PROBLEMS IN HOLDINGS: EVIDENCE FROM
GILAN”**

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Elm andı

Mən, Ağayev Əziz Vüqar oğlu and içirəm ki, “Financial Reporting problems in holdings: Evidence from Gilan ” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

“MALİYYƏ HESABATLARINDAKI PROBLEMLƏR – GİLAN HOLDİNG ƏSASINDA”

XÜLASƏ

Azərbaycan iqtisadiyyatı gündən-günə inkişaf etməkdədir və buna ən çox dəstək olan amillərdən biri də ölkədə olan iri şirkətlər və holdinqlərdir. Gilan Holding də həmin kateqoriyaya aiddir və 1987-ci ildən bu günə kimi öz fəaliyyətini davam etdirir. Azərbaycanın demək olar ki, hər bir regionunda şirkəti olan bu holdinqin maliyyə hesabatları və onların hazırlanması prosesi mühasiblər və iqtisadçılar tərəfindən böyük maraqla qarşılır.

Tədqiqatın aktualığı: Maliyyə Hesabatları böyük holdinqlər və onların rəhbərliyi üçün çox vacibdir və iş prosesinin qiymətləndirilməsində mühüm rol oynayır. Maliyyə Hesabatları sisteminin olmaması və ya çox aşağı olması halında direktorlar, səhmdarlar və bütün rəhbərlik səviyyəsi şirkətlərinin necə işlədiyini və zəif və ya güclü tərəflərinin nə olduğunu anlaya bilmir.

Tədqiqatın məqsədi: Tədqiqatın aparılmasında əsas məqsəd iri holdinqlərdə hazırlanan Maliyyə Hesabatlarındakı problemlərdən və hesabatların hazırlanmasındakı boşluqları əhatə etməkdir.

İstifadə olunmuş tədqiqat metodları: Gilan Holdingə daxil olan FTD şirkətinin maliyyə hesabatı və nəzəri metodologiyadan istifadə edilmişdir.

Tədqiqatın informasiya bazası: İnformasiya bazasının əsasını maliyyə və mühasibatlıq sahəsində olan elmi kitablar, nəzəriyyələr və holdinqin tərkibində olan şirkətlərin maliyyə hesabatları təşkil edir.

Tədqiqatın məhdudiyyətləri: Azərbaycanda BMHS standartlarına keçidin tam baş tutmaması, onun əsasında hazırlanmış hesabatların direktorlar tərəfindən qəbul edilməməsi və nəticədə ictimaiyyətlə paylaşılmaması tədqiqatın əsas məhdudiyyətlərindəndir.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Maliyyə hesabatlarında olan problemlərin nəzərə alınaraq onlara düzəliş edilməsi reputasiya və sərmayə artımına səbəb ola bilər.

Nəticələrin istifadə oluna biləcəyi sahələr: Maliyyə və mühasibatlıq (xüsusilə Hesabatlıq şöbəsi) sahələri üçün mühüm əhəmiyyət kəsb edəcək.

Açar sözlər: Gilan Holding, hesabatlılıq, maliyyə hesabatları, problemlər

“FINANCIAL REPORTING PROBLEMS IN HOLDINGS– EVIDENCE FROM GILAN”

SUMMARY

Azerbaijan's economy is developing day by day, and one of the most supporting factors is the large companies and holdings in the country. The financial statements of this holding, which has subsidiaries in almost every region of Azerbaijan, and the process of their preparation are met with great interest by accountants and economists.

The actuality of the subject: Financial Reporting is so important for big holdings and their management, and has essential role on assessment of working process. In case of not or very low FR system, directors, shareholders, and whole management level cannot understand how their company works and what are weaknesses and strengths.

Purpose and tasks of the research: To cover the problems in the Financial Statements prepared by large holdings and the gaps in the preparation of reports.

Used research methods: theoretical methodology and financial statements of FTD which is a part of Gilan Holding.

The information base of the research: is based on scientific books in the field of finance and accounting, theories and financial statements of the companies that are part of the holding.

Restrictions of research: The holding is private holding, not full relationship with IFRS, reports not accepted by directors

The novelty and practical results of investigation: Taking into account the problems in the financial statements and correcting them can lead to an increase in reputation and investment.

Scientific-practical significance of results: Finance and Accounting (specially for Reporting Department)

Keywords: Gilan Holding, reporting, financial statements, problems.

LIST OF ABBREVIATIONS

COGS	Cost of Goods Sold
ERP	Enterprise resource planning
FR	Financial Reporting
FASB	The Financial Accounting Standards Board
FSA	Financial Statement Analysis
FMCG	Fast Moving Consumer Goods
GAG	Gilan Agriculture Group
GIG	Gilan Industrial Group
GHG	Gilan Hospitality Group
GCG	Gilan Construction Group
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
PSC	Professional Support Center
PPE	Property, plant and equipment

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INTRODUCTION

Azerbaijan's economy is developing day by day, and one of the most supporting factors is the large companies and holdings in the country. Gilan Holding also belongs to this category and has been operating since 1987. The financial statements of this holding, which has subsidiaries in almost every region of Azerbaijan, and the process of their preparation are met with great interest by accountants and economists.

The actuality of the subject: Financial Reporting is so important for big holdings and their management, and has essential role on assessment of working process. In case of not or very low FR system, directors, shareholders and also whole management level cannot understand how their company works and what are weaknesses and strengths. One of reasons is that FR measures and also analysis obtained data. As a result, company can follow challenges with for example ratios.

Gilan Holding has been putting resources into enormous scope ventures in Azerbaijan since 1987. The organization has since quite a while ago perceived the significance of upgrading the expansion of Azerbaijan's economy to guarantee that it turns into a significant player on the world stage.

The head office of holding is located in Baku, and Gilan Holding grasps the new the organization places incredible accentuation on sourcing the most recent advancements and smoothing out the assembling cycle. Gilan works across five main business areas: TOURISM, CONSTRUCTION, LOGISTICS, AGRICULTURE and FMCG. The organization is likewise launching the country's wearing movement by putting vigorously in games clubs, stadia and offices. Gilan Holding has likewise settled a worldwide members program, which carries shared advantage to both the organization and its accomplices.

Monetary Reporting incorporates the exposure of financial information to the various accomplices about the money related execution and money related

circumstance of the relationship all through a foreordained time span. These accomplices join – financial backers, leasers, public, commitment providers, governments and government associations. In case of recorded associations, the repeat of monetary revealing is quarterly and yearly. Monetary Reporting is typically viewed as a finished result of Accounting. The normal parts of financial reports are:

1. The fiscal reports – Balance Sheet, Profit and misfortune account, Cash stream explanation and Statement of changes in investor's value
2. The notes to budget summaries
3. Quarterly and Annual reports (in the event of recorded organizations)
4. Outline (in the event of organizations going for IPOs)
5. The board Discussion and Analysis (in the event of public organizations)

Gilan Holding is one of the biggest holdings in Azerbaijan, and it must have strong management system, as managing big company is not easy process. I have worked there for approximately 2 years, and I have seen these burdens.

Purpose and tasks of the research: The main purpose of the study is to cover the problems in the Financial Statements prepared by large holdings and the gaps in the preparation of reports.

Used research methods: theoretical methodology and financial statements of FTD which is a part of Gilan Holding.

The information base of the research: The database is based on scientific books in the field of finance and accounting, theories and financial statements of the companies that are part of the holding.

Restrictions of research: There is limitation of getting information about financial statements of holding or its companies. So, the most preferable and suitable

methodology for this situation is questionnaire method. I am going to plan to get information from employees of holding. In this method I will prepare some questions and want to get basic statements. One of the main limitations of the study is the incomplete transition to IFRS standards in Azerbaijan, the failure of directors to accept reports based on them and, as a result, not to share them with the public.

The novelty and practical results of investigation: Taking into account the problems in the financial statements and correcting them can lead to an increase in reputation and investment.

Scientific-practical significance of results: It will be important for the areas of finance and accounting (especially the Reporting Department).

IFRS set regular guidelines so fiscal reports can be steady, straightforward and comparable around the globe. They show how associations should keep up and report their records, describing sorts of trades and various events with cash related impact. IFRS were set up to make a regular accounting language, so associations and their financial synopses can be consistent and reliable from one association to another and country to country.

IFRS are intended to carry consistency to bookkeeping language, practices and proclamations, and to support organizations and speculators settle on instructed monetary investigations and choices. The IFRS Foundation sets the measures to "bring straightforwardness, responsibility and proficiency to budgetary markets far and wide... encouraging trust, development and long haul monetary strength in the worldwide economy. The U.S. Protections and Exchange Commission (SEC) has said it won't change to IFRS, however will keep exploring a proposition to permit IFRS data to enhance U.S. money related filings. GAAP has been designated "the highest quality level" of bookkeeping. Notwithstanding, some contend that worldwide reception of

IFRS would get a good deal on duplicative bookkeeping work, and the expenses of examining and looking at organizations globally.

IFRS are once in a while mistaken for International Accounting Standards (IAS), which are the more established benchmarks that IFRS supplanted. IAS was given from 1973 to 2000, and the IASB supplanted the International Accounting Standards Committee (IASC) in 2001.

Problem and its learning:

There are some accounting standards in the world, and some countries use both their own regulations and these standards like Azerbaijan. These standards are international, and of course there are differences between our country regulations and these standards. In case of preparation of financial statements, some problems exist depending on this controversial situation.

As it can be seen from the name of this master thesis, I have to analysis FR and Gilan Holding and also combination of them. Unfortunately, almost there is no information about financial statements of Gilan Holding. Although as mentioned above, I have worked one of companies of Gilan Holding, and I have some information about Reporting system in Gilan, but there is confidentiality problem. So, I have to need questionnaire method to get more information from companies of holding.

I.THEORETICAL BACKGROUND OF FINANCIAL REPORTING

1.1 Common information about Financial Reporting

Financial Statements are set up accounts of a business' monetary circumstance. They fuse standard reports like the money related record, pay or advantage and disaster clarifications, and pay verbalization. They remain as one of the more fundamental segments of business data, and as the central technique for conveying monetary data about a substance to outside gatherings. From a specialized perspective, fiscal reports are a summation of the monetary situation of a substance at a given point as expected. By and large, fiscal summaries are intended to address the issues of numerous assorted clients, especially present and expected proprietors and loan bosses. Budget reports come about because of disentangling, gathering, and conglomerating masses of information got basically from an organization's (or an individual's) bookkeeping framework. As per the Financial Accounting Standards Board, monetary revealing incorporates fiscal reports as well as different methods for imparting monetary data about a venture to its outer clients. Fiscal reports give data helpful in speculation and credit choices and in evaluating income possibilities. They give data about an undertaking's assets, cases to those assets, and changes in the assets. Monetary announcing is a wide idea incorporating budget summaries, notes to budget summaries and incidental exposures, advantageous data (like evolving costs), and different methods for monetary detailing (like administration conversations and investigation, and letters to investors). Monetary revealing is nevertheless one wellspring of data required by the individuals who settle on financial choices about business endeavors. The essential focal point of monetary announcing is data about profit and its parts. Data about profit dependent on accumulation bookkeeping as a rule gives a superior sign of an endeavor's present and proceeding with capacity to create positive incomes than that given with money receipts and installments (Brandt W. and Hutten C., 2003).

The fundamental fiscal reports of a venture incorporate the 1) monetary record (or articulation of monetary position), 2) pay explanation, 3) income proclamation, and 4) proclamation of changes in proprietors' value or investors' value. The asset report gives a preview of an element starting at a specific date. It lists the element's resources, liabilities, and on account of a partnership, the investors' value on a particular date. The pay articulation presents an outline of the incomes, gains, costs, misfortunes, and net gain or overall deficit of a substance for a particular period. This assertion is like a moving image of the element's tasks during this timeframe. The income explanation sums up an element's money receipts and money installments identifying with its working, contributing, and financing exercises during a specific period. An assertion of changes in proprietors' value or investors' value accommodates the start of the time frame value of an endeavor with its completion balance (Brandt W. and Hutten C., 2003).

Things right now detailed in fiscal reports are estimated by various credits (for instance, verifiable expense, current expense, current market esteem, net dependable worth, and present estimation of future incomes). Chronicled cost is the customary methods for introducing resources and liabilities. Notes to budget reports are instructive revelations annexed to the furthest limit of fiscal summaries. They give significant data concerning such matters as devaluation and stock techniques utilized, subtleties of long haul obligation, annuities, leases, personal charges, unexpected liabilities, strategies for solidification, and different issue. Notes are viewed as a vital piece of the budget summaries. Timetables and incidental exposures are likewise used to introduce data not gave somewhere else in the budget summaries. Each fiscal summary has a heading, which gives the name of the element, the name of the assertion, and the date or time covered by the assertion. The data gave in budget summaries is basically monetary in nature and communicated in units of cash. The data identifies with an individual business venture. The data frequently is the result of approximations and assessments, instead of definite estimations. The budget summaries regularly mirror the monetary

impacts of exchanges and occasions that have just occurred (i.e., recorded). Budget summaries introducing monetary information for at least two periods are called similar explanations. Relative fiscal summaries ordinarily give comparative reports for the current time frame and for at least one going before periods. They give examiners critical data about patterns and connections more than at least two years. Relative explanations are impressively huger than are single-year articulations. Relative proclamations stress the way that fiscal summaries for a solitary bookkeeping period are just a single piece of the ceaseless history of the organization. Between time budget summaries are reports for times of not exactly a year. The motivation behind interval fiscal reports is to improve the practicality of bookkeeping data. A few organizations issue exhaustive fiscal reports while others issue outline proclamations. Every between time period ought to be seen principally as a necessary piece of a yearly period and ought to by and large keep on utilizing the sound accounting guidelines (GAAP) that were utilized in the planning of the organization's most recent yearly report. Fiscal reports are regularly examined by autonomous bookkeepers to expand client trust in their dependability. Each budget summary is set up based on a few bookkeeping suppositions: that everything exchanges can be communicated or estimated in dollars; that the endeavor will proceed in business inconclusively; and that assertions will be set up at ordinary stretches. These suspicions give the establishment to the construction of monetary bookkeeping hypothesis and practice, and clarify why monetary data is introduced in a given way. Fiscal summaries likewise should be set up as per sound accounting standards, and should incorporate a clarification of the organization's bookkeeping methods and strategies. Standard bookkeeping standards require the account of resources and liabilities at cost; the acknowledgment of income when it is acknowledged and when an exchange has occurred (by and large at the retail location), and the acknowledgment of costs as indicated by the coordinating rule (expenses to incomes). Standard bookkeeping standards further necessitate that vulnerabilities and dangers identified with an organization be reflected in its bookkeeping reports and that,

for the most part, whatever would bear some significance with an educated financial backer ought to be completely uncovered in the fiscal summaries (Jones, M. J., 2011).

The FASB has characterized the accompanying components of fiscal reports of business endeavors: resources, liabilities, value, incomes, costs, gains, misfortunes, speculation by proprietors, conveyance to proprietors, and thorough pay. As indicated by FASB, the components of fiscal reports are the structure blocks with which budget summaries are built. These FASB definitions, explained in its "Components of Financial Statements of Business Enterprises," are as per the following:

- Assets are likely future financial advantages got or constrained by a specific substance because of past exchanges or occasions.
- Comprehensive income is the adjustment in value (net assets) of a substance during a period from exchanges and different occasions and conditions from no owner sources. It remembers all progressions for value during a period with the exception of those subsequent from ventures by proprietors and appropriations to proprietors.
- Equity is the leftover interest in the resources of a substance that stays subsequent to deducting its liabilities. In a business substance, value is the proprietorship interest.
- Costs are surges or different employments of resources or bringing about of liabilities during a period from conveying or creating products or delivering administrations, or doing different exercises that establish the element's continuous major or focal activity.
- Gains are increments in value (net resources) from fringe or accidental exchanges of a substance and from any remaining exchanges and different occasions and conditions influencing the element during a period with the exception of those that outcome from incomes or ventures by proprietors.

- Liabilities are likely future penances of monetary advantages emerging from present commitments of a specific element to move resources or offer types of assistance to different elements later on because of past exchanges or occasions.
- Incomes are inflows or different upgrades of resources of a substance or settlement of its liabilities (or a mix of both) during a period from conveying or creating products, delivering administrations, or different exercises that establish the element's progressing major or focal activities (Slack, R., 2011).

1.2 Importance of implementation of Financial Reporting in accounting and financial processes

The benefits of monetary revealing become obvious once you start to consider the reason it addresses inside and outside your endeavor. A fiscal summary can offer an unmistakable image of the monetary circumstance of your organization progressively. Monitoring your associations funds can be the separating factor among disappointment and achievement. For example, when you take a gander at your budget reports, you will actually want to hold your spending under wraps. Examination investigation of your funds can assist you with dissecting in the event that you have adequate cash to put resources into the development of your venture (Upton Jr., 2001).

Monetary detailing comprises of three significant articulations, specifically earnings explanation, conflict stream proclamation and asset report, with the last one being the most major of all the three. The accounting report shows the connection among value and liabilities and how they involve the absolute resources. The pay proclamation, which is otherwise called the benefit and misfortune explanation, will show the productivity of the business during a predetermined period. The income proclamation then again shows the trading of merchandise and records to money and

will show the change of a business' funds from the accumulation structure to the money structure.

Here are different ways how monetary announcing can help your private company.

1. Improved dynamic

Fiscal reports are acceptable dynamic instruments. They are pointers that show a business patterns and inclinations that show how an undertaking is gathering income and the rate at which the leasers are being paid. They will likewise show any anomalies that may deter the income of your endeavor. For instance, a records receivable report will show who is paying your venture on schedule and who needs more update notes or assortment endeavors. It will likewise show which clients are more reliable. So, the records payable report will show you what your venture claims and to whom. These reports can likewise help you keep a tab on your association's stock tally and its valuation. Legitimate monetary announcing is must-have to bring to the table you with answers about your business. There are GAAP Finance Rules and Standardized Reporting Rules set up to guarantee that monetary reports are exact. In the event that your business has inquiries regarding obligations, benefits or stock, monetary reports are significant as they can help your business (Upton Jr., 2001).

2. Profiting credit when you need it

Perhaps it is development procedure or an approach to remain suitable and above water, however pretty much every venture will require credit at some point. This will incorporate Visas, business advances and acknowledge lines for merchants. These loan specialists will require some kind of assurance that they will get their cash back inside a predetermined cutoff time. To profit such an assurance, the moneylender will wish to check a business' credit report and monetary record. This monetary record will show a precise assertion of how much the business possesses, while likewise showing the current situation with the income. Your business could demand for an inward records

payable report that will keep your venture on top of the bills and increment your FICO rating simultaneously (Upton Jr., 2001).

3. Stay consistent

Government, state and neighborhood offices will expect you to submit quarterly expense forms on schedule. Your business might have the option to plan for this on the off chance that you have appropriate fiscal reports set up. For example, a business chart will assist you with recognizing nontaxable and available deals and along these lines assist you with ascertaining the business charge that you owe. A finance responsibility report can help you present the expense commitments that you have related with paying your assets. During a review, you will be equipped with all the data identified with recording your duties. Monetary detailing can assist you with satisfying such commitments (Upton Jr., 2001).

The significance of financial reporting cannot be over underscored. It is needed by every single partner for different reasons and purposes. The accompanying focuses features why monetary announcing system is significant.

1. In help and association to follow different sculptures and administrative prerequisites. The associations are needed to record fiscal summaries to ROC, Government Agencies. If there should arise an occurrence of recorded organizations, quarterly just as yearly outcomes are needed to be documented to stock trades and distributed.

2. It works with legal review. The Statutory evaluators are needed to review the budget reports of an association to communicate their assessment.

3. Monetary Reports shapes the spine for monetary arranging, investigation, benchmarking and dynamic. These are utilized for above purposes by different partners.

4. Monetary revealing assists associations with raising capital both homegrown just as abroad.

5. Based on financials, general society in huge can break down the exhibition of the association just as of its administration.

6. To offer, work contract, government supplies and so forth, associations are needed to outfit their monetary reports and proclamations.

Financial reporting alludes to standard practices to give partners a precise portrayal of an organization's funds, including its incomes, costs, benefits, capital, and income, as formal records that give inside and out bits of knowledge into monetary data.

Improved obligation the executives: As you will doubtlessly know, obligation can handicap the advancement of any organization, paying little mind to area. While there might be a wide range of sorts of monetary announcing concerning reason or programming, practically all arrangements will help you track your present resources isolated by the current liabilities on your equilibrium to help check your liquidity and deal with your obligations as needs be (Norwalk C.T., 2001).

Pattern ID: Regardless of what space of monetary action you are hoping to follow, a wide range of this sort of revealing will assist you with distinguishing patterns.

Ongoing following: By accessing incorporated, continuous experiences, you will actually want to make precise, educated choices quickly, consequently staying away from any likely road obstructions while keeping up your monetary ease consistently.

Liabilities: Managing your liabilities is a basic piece of your organization's progressing monetary wellbeing. Business advances, credit lines, MasterCard, and credit reached out from merchants are on the whole vital liabilities to oversee.

Progress and consistence: As the data served up by monetary revealing programming is both exact and hearty, not exclusively does admittance to this degree of scientific announcing offer a chance to improve your monetary productivity over the long run, however it will likewise guarantee you stay 100% consistent – which is fundamental in the event that you need your business to stay dynamic.

Charges are ostensibly the most compelling motivation for the significance of fiscal summary examination – fundamentally, you need to utilize it! The public authority uses such reports to guarantee that you're paying something reasonable of duties. On the off chance that you're pondering placing cash in an association, it simply looks good that you'll have to acknowledge how well that association is getting along – according to a standardized litmus test; not assessments that an association has made to make themselves look extraordinary.

This is the place where the significance of fiscal summaries become possibly the most important factor for financial backers. This additionally applies to credit merchants and banks who are thinking about loaning cash to an organization. It's urgent that monetary reports are just about as precise as could really be expected – something else, any administration reports dependent on them will be perched on an insecure establishment. This is the place where organizations can run into inconvenience, utilizing heritage techniques as opposed to receiving the rewards of monetary revealing by using monetary dashboards all things being equal.

Keep in mind: the public authority (and outside financial backers) doesn't mind WHY your monetary reports are incorrect. Monetary examination and detailing are precise, durable, and generally open methods for sharing basic monetary data all through your association. Basically, this by itself responds to the inquiry, 'what is monetary detailing and examination?'

Monetary examination and detailing help to answer a large group of crucial inquiries on all parts of your organization's monetary exercises. Monetary revealing and investigation help associations, paying little heed to the business in a very much oversaw, familiar way.

Likewise, they work with legal reviews. The legal evaluators are needed to review the fiscal summaries of an association to communicate their assessment. Announcing apparatuses or programming will give this authority compact, exact, and consistent data – which, obviously, is indispensable.

1.3 Different methods used in the process of financial reporting

Financial Statement Analysis (FSA) implies examining the budget reports of an organization to get significant data for dynamic. Aside from the administration, outer partners additionally convey fiscal report investigation for a few purposes. There are a few techniques for fiscal report investigation that administration and outer partners use. Every one of these techniques fluctuate in figuring and factors utilized for the fiscal report examination. Outside partners, including investigators, monetary organizations, leasers, loan specialists, and more do FSA to comprehend the strength of the organization. Besides, these strategies give a synopsis of information that assists with dissecting and decipher monetary information (Zeff S.A., 1992).

Horizontal and Vertical analysis

In horizontal method, the experts analyze the monetary data of one period with the earlier years. In this, we contrast a detail and a similar detail in another period (a year or quarter). The goal is to locate any critical change in any detail. For example, if the

expense of merchandise sold (COGS) rises considerably more than the increment in deals or gross benefit rises yet net benefit drops.

In the vertical analysis, each detail in the budget summary is determined as an extent of another conspicuous thing. Generally, in the pay proclamation, each detail is determined as an extent of income or deals. On the accounting report, each detail is addressed as an extent of all out resources. After the estimation of proportions, one can contrast them with the previous years with distinguish any typical happenings.

Relative Financial Statements

This strategy is like the horizontal and vertical investigation. In this technique, we set up the pay proclamation and monetary record in a manner to get a period viewpoint of the details. Or on the other hand, we can say, the fiscal reports show figures of at least two years in a solitary budget summary. It makes it simple to contrast a detail and the earlier years. These figures could either be supreme, total increment or diminishing from the previous year, regarding rate, or examination as proportions (Van der Wel F., 1992).

Ratio Analysis

It is among the most well-known strategies for budget summary examination. There are various sorts of proportions that help the board and examiners to uncover important data. There are four classifications of proportions – productivity proportions, liquidity proportions, influence proportions, and movement proportions. A portion of the famous proportions are the current proportion, PE proportion, obligation proportions, and that's just the beginning. After examiners ascertain a proportion (or proportions), they can contrast it and similar proportion of earlier years. Or on the other hand, they can likewise contrast it and the business normal or with the contenders. Likewise, one can contrast the proportions and the set norms or the ideal proportion. For example, the

current proportion of 1 is magnificent. Nonetheless, the benchmark or ideal proportions shift from one industry to another (Van der Wel F., 1992).

Trend Analysis

This technique for monetary examination is like the level investigation. In this strategy, additionally we think about and survey the budget summaries of at least three years. Under this, the soonest year turns into the base year. The goal is to discover any example in the monetary numbers. These examples could be rising (or falling) deals, any occasional pattern, variances in costs, and that's just the beginning. An examiner can likewise utilize proportions to recognize patterns (assuming any) in the monetary numbers (Van der Wel F., 1992).

1.4 Important steps in Accounting cycle

The accounting cycle is a fundamental, eight-venture measure for finishing an organization's accounting errands. It gives an unmistakable manual for the chronicle, examination, and last announcing of a business' monetary exercises.

The accounting cycle is utilized completely through one full detailing period. Along these lines, remaining coordinated all through the cycle's time span can be a key component that assists with keeping up generally proficiency. Bookkeeping cycle periods will differ by revealing requirements. Most organizations try to dissect their presentation consistently, however some may zero in more vigorously on quarterly or yearly outcomes.

The eight-venture bookkeeping cycle is essential to know for a wide range of accountants. It separates the whole cycle of a clerk's obligations into eight essential advances. A significant number of these means are frequently mechanized through

bookkeeping programming and innovation programs. In any case, knowing and utilizing the means physically can be fundamental for private company bookkeepers chipping away at the books with insignificant specialized help.

Notwithstanding, most accountants will have a familiarity with the organization's monetary situation from every day. By and large, deciding the measure of time for each bookkeeping cycle is significant in light of the fact that it sets explicit dates for opening and shutting. When a bookkeeping cycle shuts, another cycle starts, restarting the eight-venture bookkeeping measure once more.

The eight-venture bookkeeping cycle begins with recording each organization exchange separately and closes with an exhaustive report of the organization's exercises for the assigned cycle time period. Numerous organizations use bookkeeping programming to mechanize the bookkeeping cycle. This permits bookkeepers to program cycle dates and get computerized reports.

Contingent upon each organization's framework, pretty much specialized mechanization might be used. Ordinarily, accounting will include some specialized help, however a clerk might be needed to intercede in the bookkeeping cycle at different focuses.

Each individual organization will ordinarily have to change the eight-venture bookkeeping cycle in specific manners to fit with their organization's plan of action and bookkeeping strategies. Adjustments for accumulation bookkeeping versus cash bookkeeping are normally one significant concern.

Organizations may likewise pick between single-passage bookkeeping versus twofold section bookkeeping. Twofold section bookkeeping is needed for organizations to work out every one of the three significant budget reports: the pay articulation, monetary record, and income proclamation.

Stage 1:

Identify Transactions The underlying stage in the accounting cycle is perceiving trades. Associations will have various trades all through the accounting cycle. Everybody ought to be properly recorded on the association's books (Camfferman K., 1992).

Recordkeeping is central for recording a wide scope of trades. Various associations will use retail store advancement associated with their books to record bargains trades. Past bargains, there are in like manner expenses that can come in various combinations.

Stage 2: Record Transactions in a Journal

The second step in the cycle is the making of journal entries for each trade. Motivation behind offer advancement can combine stages one and two anyway associations ought to in like manner follow their expenses. The choice among assortment and cash accounting will oversee when trades are definitively recorded. Keep in mind, amassing accounting requires the organizing of livelihoods with costs so both should be saved at the hour of offer. Cash accounting anticipates that exchanges should be recorded when cash is either gotten or paid. Twofold area bookkeeping calls for recording two entries with each trade to manage a by and large made resource report close by a compensation verbalization and pay announcement. With twofold entry accounting, each trade has a charge and a credit comparable to each other. Single-area accounting is like managing a checkbook. It gives a report of evening out anyway doesn't need various sections (Camfferman K., 1992).

Stage 3: Posting

At the point when a trade is recorded as a journal entry, it should post to a record in the general record. The general record gives a breakdown of all accounting practices by account. This allows a representative to screen money related positions and

circumstances with account. Maybe the most ordinarily alluded to accounts in the general record is the cash account that nuances how much cash is open (Camfferman K., 1992).

Stage 4: Unadjusted Trial Balance

Toward the completion of the accounting time period, a primer equilibrium is resolved as the fourth step in the accounting cycle. A fundamental equilibrium tells the association its unadjusted changes in each record. The unadjusted fundamental equality is then passed on forward to the fifth step for testing and examination (Camfferman K., 1992).

Stage 5: Worksheet

Analyzing a worksheet and perceiving changing areas make up the fifth step in the cycle. A worksheet is used and made to ensure that charges and credits are same. In case there are irregularities, by then adjustments ought to be made. Despite perceiving any botches, changing areas may be needed for money and cost planning when using gathering accounting (Camfferman K., 1992).

Stage 6: Adjusting Journal Entries

In the 6th step, an accountant adapts. Changes are recorded as diary sections where important (Camfferman K., 1992).

Stage 7: Financial Statements

After the organization makes all changing passages, it at that point produces its fiscal summaries in the seventh step. For most organizations, these assertions will incorporate a pay articulation, asset report, and income explanation (Camfferman K., 1992).

Stage 8: Closing the Books

At long last, an organization closes the bookkeeping cycle in the eighth step by shutting its books toward the day's end on the predetermined shutting date. The end proclamations give a report to examination of execution over the time frame (Camfferman K., 1992).

In the wake of shutting, the bookkeeping cycle begins once more from the start with another revealing period. At shutting is normally a happy chance to document desk work, plan for the following announcing period, and survey a schedule of future occasions and errands.

The present bookkeeping world chips away at a solitary arrangement of bookkeeping and monetary revealing norms. As a premise, IFRSs end up assuming a critical part. These days, we are seeing a tremendous advancement of intermingling to IFRS—by US GAAP, yet additionally different nations are receiving increasingly more IFRS rules to their own bookkeeping rules.

I have an inclination that as of not long ago, this interaction has influenced for the most part greater worldwide organizations who were needed to report their monetary outcomes and position as per both IFRS and their neighborhood bookkeeping norms. That is not an issue for them – normally, those organizations are very exceptional with all essential human resources, programming and business cycles to make account change measure running easily.

In any case! The things change each moment. At some point, additionally little and medium estimated ventures may end up in a circumstance when making two arrangements of fiscal summaries becomes supreme need and an unquestionable requirement. Also, we realize all well overall, that the initial steps have effectively been made—IASB has effectively given and distributed International Financial Reporting Standard (IFRS) intended for use by little and medium-sized substances (SMEs).

Perhaps you work for SME that would discover introducing your monetary position and results under IFRS advantageous or fundamental from different reasons:

- possibly you might want to pull in some unfamiliar capital, regardless of whether new investors or other account suppliers
- possibly you might want to broaden your business abroad and need to develop your monetary picture
- possibly your organization is adequately large to have unfamiliar auxiliaries that should be solidified under uniform norms
- possibly you are an unfamiliar auxiliary that requirements to present its IFRS fiscal summaries to the parent organization
- also, some more

You generally have the decision to begin with outside advisors with expansive involvement with this field. They can configuration full interaction bit by bit, carry out it and teach you to utilize it—yet frequently you discover that cost of employing specialists may be excessively high. At that point, you can begin to do this without anyone else's help without any preparation. On the off chance that you do it appropriately, it will cost you just your time and you will have a decent reason for additional transformation interaction.

Stage 1: Identify budget reports' things with contrasts

That is presumably the most troublesome and requesting part. You will have a strong information about both your neighborhood GAAP and IFRS with the goal that you can recognize which exchanges have been shown distinctively under your nearby GAAP than would have been appeared under IFRS.

As I would like to think, the best methodology is consistently precise. Take your budget summaries—asset report and pay articulation—and go through each subtitle.

Then again, you can do it on a more definite level—rather than taking budget summaries, take a preliminary equilibrium or general record where records are not assembled. Ask yourself what significant exchanges have been recorded under those subtitles and whether applied neighborhood standards and IFRS are something very similar or not.

What subtitles can be influenced? Indeed, each and every one. The most well-known changes incorporate account leases, reasonable worth changes, conceded charge changes, changes identified with development contracts, immaterial resources and their acknowledgment, and some more.

Here I might want to cause you to notice the standard IFRS 1—First-time Adoption of International Financial Reporting Standards which sets out the methods that you should follow while receiving IFRSs interestingly. There are some essential guidelines and necessities identified with resources and liabilities acknowledgment, rearrangements, estimation, special cases and exclusions when you do it interestingly. I strongly prescribe surveying this norm prior to endeavoring to set up the rundown of possible changes.

Stage 2: Prepare all data for IFRS changes identified with every distinction

When you distinguished all possible contrasts between nearby GAAP and IFRS influencing your fiscal summaries, you will accumulate all connected mathematical data. This includes 2 phases:

2.1 Determine exactly how the exchange has been accounted for under nearby GAAP

That implies the need to acquire all bookkeeping sections identified with the exchange from its start until the revealing date. You don't have to acquire in a real sense each and every passage—this would not be pragmatic. Yet, you need to acquire in any

event aggregate sums that have been perceived to the individual subtitles in the budget summaries (or general record) from the underlying acknowledgment of the exchange until the detailing date.

2.2 Precisely decide how the exchange ought to have been introduced under IFRS

Presently you need to apply your IFRS information. You ought to compute aggregate sums identified with each influenced exchange that ought to have been perceived in singular subtitles of the fiscal reports in accordance with IFRS.

For each possible contrast in bookkeeping treatment of specific exchanges in accordance with your nearby GAAP and IFRS, make comparative bookkeeping sections table. In this model, I just made up those sorts out of a slender air. Nonetheless, you will set up every one of the computations in supporting documentation. In this particular account rent model, you should set up a worksheet in which you split each and every rent installment between reimbursement of a rent risk and interest installment, applying actuarial strategy. Not certain how to do it? Kindly watch out our video on IAS 17—Leases remembered for the IFRS Kit and you will discover bit by bit measure clarified in an incredible detail. Also you can download a dominate record with every one of the computations arranged for you.

II.EMPIRICAL RESEARCH METHODOLOGY ON THE FINANCIAL REPORTING PROBLEMS IN HOLDINGS EVIDENCE FROM GILAN

2.1 Cash and accrual accounting

A bookkeeping strategy alludes to a bunch of decides that an organization holds fast to when keeping its monetary records and announcing monetary exchanges. The exchanges are recorded in a way that precisely reflects genuine pay. The two fundamental techniques for bookkeeping are cash bookkeeping and accrual bookkeeping.

Under the money strategy, pay and costs are accounted for and deducted in the expense year they are gotten and paid, individually. Then again, under the gathering strategy, both pay and costs are for the most part revealed in the assessment year when they are acknowledged, paying little heed to when they are gotten.

1. Money bookkeeping technique

Income is accounted for on the pay articulation just when money is gotten. Costs are possibly recorded when money is paid out. The money technique is generally utilized by private ventures and for individual accounting records (Edwards J.R., 1989).

Money premise bookkeeping is generally simple to carry out; subsequently, it is normally utilized by independent companies. The money strategy does not adjust to the shows of Generally Accepted Accounting Principles (GAAP). Under the money technique, monetary exchanges are not recorded until they are really figured it out.

For instance, pay is recorded when installment is gotten, while costs are entered in books of records when a bill is settled. Budget summaries arranged under the money bookkeeping premise contain data about the wellsprings of money during the duty time

frame, how the money was utilized, just as the money adjusts at the date of revealing. Extra data about liabilities might be contained in the notes to the fiscal summaries.

Albeit the money bookkeeping strategy is generally fitting for sole ownerships and independent companies, it likewise used to oversee individual accounting records up to a particular breaking point. For instance, if yearly deals that a business acknowledges are more than \$5 million, the Internal Revenue Service (IRS) directs that it should utilize the accumulation strategy for bookkeeping.

One remarkable defect with the strategy is that it can offer a deceptive image of a substance's monetary wellbeing, particularly when exchanges, like neglected costs, cash receipts, or exceptional receivables, are not addressed in the fiscal reports.

2. Accrual bookkeeping strategy

Income is represented when it is procured. Ordinarily, income is recorded before any cash changes hands. In contrast to the money technique, the gathering strategy records income when an item or administration is conveyed to a client with the assumption that cash will be paid later on. Costs of labor and products are recorded in spite of no money being paid out yet for those costs (Edwards J.R., 1989).

The accrual strategy for bookkeeping is established on the coordinating with rule, whose point is to coordinate with pay and costs in the right year. The rule is additionally founded on a circumstances and logical results connection between announced incomes and costs, making it an essential for the coordinating with rule.

Coordinating with incomes and costs helps the accrual technique to accomplish a more precise estimation of occasional net gain of business since exchanges are recorded together in a similar period.

Under accumulation bookkeeping, benefits are just recorded after they are procured, and expenses are recorded after they are caused. It suggests that a receipt can be perceived as income, despite the fact that assets are not yet gotten.

Additionally, costs are recorded despite the fact that installment can be conceded. Note that while getting a settlement ahead of time under the accumulation technique, the acknowledgment of settlement ahead of time is delayed until the accompanying time frame when the income is acquired. It is, nonetheless, difficult to defer past the following duty year. Subsequently, the settlement ahead of time should be remembered for the pay in the applicable monetary reports and gross receipts for charge purposes.

Choosing an Accounting Method

The gathering bookkeeping technique gets significant in enormous and complex business substances, given the exact picture it gives about an organization's actual monetary position. A common model is a development firm, which may win a drawn out development project without full money installment until the finishing of the task.

Under the money bookkeeping rules, the organization would gather numerous costs, and until the whole income installment is gotten, it would not understand income. It implies that the organization's book of records would look powerless until the money is recorded. A moneylender, for instance, would consider the organization as not financially sound in light of its huge costs and is in a huge misfortune position.

Relatively, under the accumulation bookkeeping technique, the development firm would understand a part of income and costs that compare to the extent of the work finished. It can introduce either an increase or misfortune in each monetary year in which the task is as yet dynamic. The strategy is known as the level of finish technique.

In any case, it is the income proclamation that would give a genuine image of the real money coming in. Such a methodology would show the planned loan specialist the genuine portrayal of the organization's whole income stream.

The critical benefit of the money technique is its effortlessness—it just records for cash paid or got. Following the income of an organization is likewise simpler with the money technique.

In any case, a weakness of the money strategy is that it may exaggerate the wellbeing of an organization that is cash-rich yet has huge amounts of records payables that far surpass the money on the books and the organization's present income stream. A financial backer may finish up the organization is making a benefit when, in actuality, the organization is losing cash (Edwards J.R., 1989).

Then, the benefit of the accumulation technique is that it incorporates accounts receivables and payables and, accordingly, is a more exact image of the productivity of an organization, especially in the long haul. The justification this is that the accumulation strategy records all incomes when they are procured and all costs when they are brought about.

For instance, an organization may have deals in the current quarter that wouldn't be recorded under the money technique since income isn't normal until the accompanying quarter. A financial backer may close the organization is unfruitful when, in actuality, the organization is progressing admirably.

The detriment of the gathering strategy is that it doesn't follow income and, subsequently, probably won't represent an organization with a significant money lack for the time being, notwithstanding glancing productive in the long haul. Another weakness of the gathering strategy is that it tends to be more confounded to carry out since it's important to represent things like unmerited income and prepaid costs.

The accrual strategy is most generally utilized by organizations, especially traded on an open market organizations. One justification the accrual technique's fame is that it smooths out profit over the long haul since it represents all incomes and costs as they are produced as opposed to being recorded discontinuously under the money premise strategy. For instance, under the money strategy, retailers would glance amazingly beneficial in Q4 as shoppers purchase for the Christmas season yet would glance unrewarding in Q1 as purchaser spending decreases following the occasion surge.

The two techniques enjoy their benefits and burdens, and each solitary shows part of the monetary strength of an organization. Understanding both the accumulation strategy and an organization's income with the money technique is significant when settling on a speculation choice.

Bookkeeping Method and Taxation

Citizens are needed by the IRS to reliably utilize the strategy for bookkeeping that precisely catches the genuine pay. Consistency is fundamental since the trading of bookkeeping techniques can conceivably make escape clauses that an organization can use to control its income and in the long run displace taxation rates.

In any case, given the predefined necessities are met, organizations are given the watchfulness to utilize a mixture of money and gathering bookkeeping strategies under the IRS.

A bookkeeping technique alludes to a bunch of decides and rules that decides how an organization reports its pay and costs.

The two principle bookkeeping strategies are money and gathering. Under the money strategy for bookkeeping, pay is recorded as gotten, and expenses are recorded after installment, while under the accumulation technique, exchanges are recorded when figured it out.

The money bookkeeping technique is basic, simple to execute, and fitting for more modest organizations, while the accumulation bookkeeping strategy is for the most part mind boggling and costly.

2.2 Differences between IFRS and Azerbaijan NAS

Bookkeeping system for stock

Addressing stock according to Azerbaijan accounting standards plans has a few resemblances with and contrasts from IAS. These comparable qualities are in the assurance of the stock expenses, valuations strategies associated; contrasts are in the ensuing valuation, and the usage of LIFO methodology. These accounting systems that are used by the vast majority of the substances were set around the beginning of the advancement to the market economy. The shortfall of some market instruments, for instance, the detachment of the confirmation of sensible characteristics and net plausible characteristics didn't allow to get certain worldwide accounting plans. These plans also have a couple of characteristics of the Soviet Accounting System. This is clear especially in the task of costs to the assessment of finished items and work-in strategy stock. Point by point information about accounting procedures for inventories as demonstrated by Azerbaijan NAS is given in the going with segments (Barry J.W., 2008).

The toward the end in, first out (LIFO) technique for stock valuation is restricted under International Financial Reporting Standards (IFRS), however it is allowed in the United States, which utilizes sound accounting guidelines (GAAP).¹

IFRS restricts LIFO because of potential mutilations it might have on an organization's benefit and fiscal summaries. For instance, LIFO can downplay an organization's profit for the reasons for keeping available pay low. It can likewise bring

about stock valuations that are obsolete and outdated. At long last, in a LIFO liquidation, deceitful directors might be enticed to misleadingly swell profit by auctioning off stock with low conveying costs. Gilan has some companies that LIFO method is more suitable for their accounting and working process. For example, Gilan Concrete Company cannot use FIFO method for its accounting, because of their working conditions (Barry J.W., 2008).

Table 1: Accounting strategy for inventory

IAS 2	Azerbaijan NAS
Inventory costs	
All costs that are brought about to put the stock to its current area and current condition should be viewed as the expense of stock.	The expense of stock is resolved considering price tag, import obligations and duties, transportation and protection costs, and any costs that are fundamental to place stock into usable condition.
Valuation of Inventories	
IAS 2 thinks about explicit recognizable proof, Weighted average and FIFO techniques.	Explicit recognizable proof, weighted normal expense, FIFO and LIFO strategy are applied.
Subsequent measurement	
Inventories are along these lines estimated at lower of cost or market.	Inventories are therefore estimated at feasible worth, which depends on the conceivable selling costs.
Disclosure requirements	
Data about the bookkeeping strategies embraced in estimating inventories, the conveying measure of inventories, and the measure of inventories perceived as a cost, the conveying measure of inventories vowed as security for liabilities is revealed in the budget summaries.	There isn't divulgence necessity.

Source: Compiled by author based on Barry J., Epstein E., Jermakowicz K., 2008

Bookkeeping procedure for equipment, property and plant

Accounting systems for property, hardware and plant also pass on the characteristics of the Soviet and worldwide accounting structures. Those methodologies are progressively similar to the Soviet Accounting System rather than to the IAS. Accounting approaches for downgrading, following valuation, and subsequent costs obtained are embraced from the Soviet Accounting System.

As shown by Azerbaijan NAS, plant, property and hardware are named Fixed Assets to be resolved Balance Sheet and described as substantial assets that are held for use in the creation or supply of items or organizations, for administrative purposes for a usage of longer than a year, or for use in the normal course of working pattern of longer than a year (Sebzeliyev 2005, 179). One of the huge differentiations between the two rules is the expense farthest arrives at that is developed by the Azerbaijan accounting rules. As shown by this place of repression a thing of an unmistakable asset that costs more than 100 manats (1 manat=\$ 0.8), and that trades its regard bit by bit to the finished items can be seen as Fixed Assets in the financial outlines (Sebzeliyev 2005, 179).

Table 2. Bookkeeping methodology for equipment, property and plant

Noncurrent assets	
IAS 16	Azerbaijan NAS
Definition	
Property, plant and equipment are unmistakable resources that are held for use in the production or supply of goods or administrations, for rental purposes, or for authoritative contemplations and these resources are required to be utilized during More than one period. Investment Property is excluded here.	Unmistakable resources that are held for use in the creation or supply of products or administrations, for managerial purposes for a utilization of over a year, or for use in the typical course of working pattern Of over a year. Speculation property is included, i.e. it is not ordered independently

Subsequent measurement.	
Property, plant and equipment is estimated by applying either the expense or revaluation model	As indicated by the Accounting Law, fixed resources are to be perceived yet to be determined sheet at recorded expense. Revaluation strategy isn't considered as an elective technique for valuation, yet rather is needed to be applied if there are some financial signs.
Depreciation.	
As per IAS 16, the worth of property, plant and equipment is designated on a methodical route over the helpful existence of the resource. An element thinks about remaining worth while deciding yearly deterioration cost.	As per Azerbaijan Accounting rules and Tax Code, deterioration of fixed resources is dictated by the utilization of yearly devaluation rates to the book upsides of fixed resources. The public authority decides leftover worth and valuable life.
Impairment.	
Global Financial Reporting expects elements to perceive disability misfortunes while revealing property, plant and equipment	Impairment is not allowed
Disclosure requirements	
Data about the devaluation techniques utilized, the helpful lives, impedance misfortunes perceived, and Acquisitions is to be introduced in the notes.	Not provided

Source: Compiled by author based on Barry J., Epstein E., Jermakowicz K., 2008

Bookkeeping system for Intangible Assets

Accounting systems for theoretical assets were essentially gotten from the worldwide accounting practices. "Intangible assets" is new term in Azerbaijan accounting practices. This term was consolidated into the Azerbaijan NAS while progress to the Market Economy. The practically identical definition and affirmation norms for accounting of immaterial assets were embraced from overall accounting structures. Regardless, Azerbaijan NAS doesn't give the most ideal conspicuous confirmation and control rules set up by IAS 38. There are no specific rules and frameworks relating to the affirmation of inside made elusive assets. The costs procured while making elusive assets inside are totally discounted, which shifts from widespread

money related rules. Liberality is in like manner saw as a piece of theoretical assets. Accounting plans for coming about valuation, treatment of thusly caused costs, and amortization for unsure supportive life intangibles contrast from IAS. The going with areas give point by point information relating to the accounting courses of action for theoretical assets (Epstein Eva., 2008).

Immaterial assets are from the outset assessed at cost when acquired (According to the Accounting Law (Chapter 18, section 11) and the Tax Code (part 118.1). The expense involves sticker price and any direct inferable costs (Sebzeliyev 2005, 224). If elusive assets are acquired due to business blends, they are regarded at sensible regard. Immaterial assets got in terms of professional career are assessed at the book assessment of the advantage got. The book assessment of the subtle asset obtained through exchange is settled reliant on the going with documents.

Table 3. Accounting strategy duet to intangible asset

Noncurrent assets	
IAS 38	Azerbaijan NAS
Definition	
Recognizability, power over an asset and existence of future economic Advantages.	Non-tangible assets held for not less than one year.
Recognition	
IAS 38 states that an elusive resource is perceived in the event that it is likely that the resource will produce future financial advantages streaming to the element and the expense of the resource can be estimated dependably.	Intangible assets are perceived when there is more right than wrong to utilize those resources.
Initial Measurement	
Intangible assets are at first estimated at cost. The expense will comprise of price tag and straightforwardly inferable costs that are needed to be brought about to set up the resource for its proposed use.	Intangible assets are at first estimated at cost when obtained. On the off chance that theoretical resources are obtained because of business Combinations they are esteemed at reasonable worth.
Amortization	

Intangible assets with the limited helpful life are to be amortized on a methodical premise over the valuable life	Azerbaijan NAS applies straight-line amortization technique for theoretical resources that have limited monetary valuable life. For elusive resources with inconclusive helpful lives the yearly amortization Amount equivalents to the 10% of its underlying expense.
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Source: Compiled by author based on Barry J., Epstein E., Jermakowicz K., 2008

2.3 The main problems and challenges in Reporting system

The monetary detailing measure is considered by numerous individuals to be the absolute most significant capacity of a bookkeeping framework. Be that as it may, even the best bookkeeping framework cannot defeat an imperfect monetary revealing interaction. To assist you with deciding whether your monetary announcing measure has an issue, start by responding to these five inquiries:

Does your bookkeeping or venture asset arranging framework produce exact month to month monetary reports on an ideal premise, in a perfect world by the 10th day of the next month?

Are generally suitable monetary and enlightening reports created on a day by day, week by week, and month to month premise?

Are those reports circulated in an ideal style to the proper work force (either on paper or carefully)?

Do the fitting staff realize how to peruse the reports and see how to utilize the data contained inside those reports?

Do these staff set aside some effort to peruse the reports and utilize the data and bits of knowledge determined appropriately to all the more likely play out their positions?

Now I will point financial reporting problems in Gilan as I have been employee as Reporting Specialist at Professional Support Center (PSC) LLC which was belong to Gilan Holding. PSC was founded in 2018, and main purpose of this company was giving consulting services such as accounting, finance, reporting, human resources service, legal, tax and others for initially internal companies of Gilan Holding, and then external companies. Due to quarantine situation, company get bankrupt and was closed.

Firstly, depreciation expenses and impairment losses were really significant burden for some companies which PSC serviced. Some companies calculated and recognized depreciation charge of Property, plant and equipment at the end of year, and they did not show any monthly expenses in their accounting system, and that is why monthly reports prepared by Reporting team did not show real amounts and also profit or loss.

In accounting, hindrance depicts an unending reduction in the assessment of an association's asset, commonly a fixed asset or a hypothetical asset. When testing an asset for debilitation, the full scale advantage, pay, or other benefit expected to be delivered by that specific asset is irregularly differentiated and its current book regard. In case it is settled that the book assessment of the asset outperforms the future pay or benefit of the asset, the differentiation between the two is limited and the assessment of the asset rots on the association's bookkeeping report. Impairment losses are not calculated in any companies of Gilan Holding. This affects to reporting incorrect amounts of asset. Resources might lose their accounting value because of decreasing their market value. In this case, company do not down its asset values to market value, and assets are shown in their increased value in accounting system (John Wiley, Sons., 2010).

IAS 16 sets up standards for perceiving PPE as resources, estimating their conveying sums, and estimating the depreciation charges and impairment losses to be perceived corresponding to them. PPE is tangible things that:

1. are held for use in the creation or supply of products or administrations, for rental to other people, or for managerial purposes; and
2. are relied upon to be utilized during more than one period.

PPE incorporates conveyor plants identified with agrarian action.

The expense of a thing of PPE is perceived as a resource if, and just if:

1. it is plausible that future monetary advantages related with the thing will stream to the element; and
2. the expense of the thing can be estimated dependably.

A thing of property, plant and gear is at first estimated at its expense. Cost incorporates:

1. its price tag, including import obligations and non-refundable buy charges, in the wake of deducting exchange limits and discounts;
2. any expenses straightforwardly owing to carrying the resource for the area and condition vital for it to be fit for working in the way proposed by the executives; and
3. the assessed expenses of destroying and eliminating the thing and reestablishing the site on which it is found, except if those expenses identify with inventories created during that period.

After recognition, a substance picks either the expense model or the revaluation model as its bookkeeping strategy and applies that approach to a whole class of property, plant and hardware:

1. under the cost model, a thing of PPE is conveyed at its expense less any amassed deterioration and any gathered hindrance misfortunes.
2. under the revaluation model, a thing of property, plant and gear whose reasonable worth can be estimated dependably is conveyed at a revalued sum, which is its reasonable incentive at the date of the revaluation less any ensuing collected devaluation and resulting gathered hindrance misfortunes. Revaluations should be made routinely and kept current. Revaluation increments are perceived in other far reaching pay and aggregated in value, except if they switch a past revaluation decline. Revaluation diminishes are perceived in benefit or misfortune except if they switch a past revaluation increment.

Depreciation is the methodical portion of the depreciable measure of a resource over its valuable life. Depreciable sum is the expense of a resource, or other sum fill in for cost, less its leftover worth. Each piece of a thing of property, plant and gear with an expense that is critical according to the complete expense of the thing is devalued independently. The devaluation charge for every period is perceived in benefit or misfortune except if it is remembered for the conveying measure of another resource. The devaluation strategy utilized mirrors the example wherein the resource's future monetary advantages are relied upon to be devoured by the element. To decide if a thing of property, plant and gear is impeded, an element applies IAS 36.

Although PSC company were preparing accruals and provisions such as receivable, inventory, Value added tax (VAT), unused vacation, profit tax and others for other companies which gave consulting services, some managers of these companies did not agree with provisions. Because these provisions were future expenses, and they decreased profit.

Provisions

General provisions are monetary resources set aside by an organization as resources for pay for expected future misfortunes. For banks, an overall arrangement is viewed as strengthening capital under the primary Basel Accord. General arrangements on the accounting reports of monetary firms are viewed as a higher danger resource since it is verifiably expected that the fundamental finances will be in default later on. A provision is a risk of dubious planning or sum. The responsibility might be a lawful commitment or a helpful commitment. A valuable commitment emerges from the element's activities, through which it has demonstrated to others that it will acknowledge certain duties, and subsequently has made an assumption that it will release those obligations. Instances of provisions may include: guarantee commitments; lawful or productive commitments to tidy up defiled land or reestablish offices; and commitments brought about by a retailer's approach to make discounts to clients (Kamat D. M., 1987).

A substance perceives a provision in the event that it is likely that an outpouring of money or other monetary assets will be needed to settle the provision. In the event that an outpouring isn't likely, the thing is treated as an unexpected obligation.

A provision is estimated at the sum that the substance would normally pay to settle the commitment toward the finish of the revealing time frame or to move it to an outsider around then. Dangers and vulnerabilities are considered in estimating a provision. A provision is limited to its current worth.

IAS 37 clarifies the utilization of the affirmation and assessment necessities for three unequivocal cases:

1. future working misfortunes—a provision can't be perceived on the grounds that there is no commitment toward the finish of the revealing time frame;

2. a difficult agreement offers ascend to a provision; and
3. a provision for rebuilding costs is perceived just when the element has a useful commitment on the grounds that the primary highlights of the nitty gritty rebuilding plan have been declared to those influenced by it.

As I mentioned before that PSC was a consulting company and Gilan Holding is divided into some big portfolios such as Gilan Hospitality Group (GHG), Gilan Industrial Group (GIG), Gilan Agriculture Group (GAG), Gilan Construction Group (GCG), Fast Moving Consumer Goods (FMCG) and others. Although head offices of some companies in the mentioned portfolios are located in Baku city, but their main parts are situated in local regions of Azerbaijan. For example, there are many hotels, agriculture complexes, chips factory and so on in Gabala city. So, there were some miscommunications between Reporting team and these local factories and their employees such as finance specialist and accountant specialist. The main works of Reporting team in PSC consulting company were obtaining financial data which was extracted from companies accounting system like 1C, and preparing financial statements (Profit & Loss, Balance Sheet, Cash Flow, and other reports that required by director or managers), then analyzing them. Due to this miscommunication or weak connection, some data was sent incorrectly and not fully available. That is why, team had to ask this data again or doing some corrections on this data. Because each company had different accounting system such as 1C, Mikro, and their extracted data was not the same with each other and some was not suitable for Reporting team. This affected to department deadline days and causing delaying reports.

Not used ERP System

The recorded setting of ERP returns more than 100 years. In 1913, engineer Ford Whitman Harris made what got known as the financial solicitation sum (EOQ) model, a paper-based collecting structure for creation booking. For a significant long time,

EOQ was the standard for collecting. Toolmaker Black and Decker changed the game in 1964 when it transformed into the essential association to accept a material requirements orchestrating (MRP) course of action that joined EOQ thoughts with a concentrated worker PC.

Until the dispatch of assembling asset arranging (called MRP II) in 1983, MRP was treated as a standard assembling framework. MRP II featured "modules" as a key programming segment, and composed focal assembling parts including purchasing, bills of materials, booking, and understanding of the chiefs. Out of the blue, remarkable amassing parts were facilitated into an average system. MRP II moreover gave a persuading vision regarding how affiliations could utilize programming to share and organize undertaking data and lift operational profitability with better creation masterminding, diminished stock, and less waste. As PC development progressed through the 1970s and 1980s, thoughts like MRP II were made to manage business practices past assembling, joining accounts, customer relationship the executives, and HR data. By 1990, development specialists had a name for this new order of business heads program—ENTERPRISE RESOURCE PLANNING (Azimifar M.B., 2013: 7/10).

ERP alludes to a kind of programming that associations use to oversee everyday business exercises like bookkeeping, project the executives, hazard the board and consistence, and store network tasks. A total ERP suite additionally incorporates venture execution the executives, programming that helps financial plan, foresee, and report on an association's monetary outcomes.

ERP frameworks integrate a large number of business measures and empower the progression of information between them. By get-together an affiliation's basic worth based data from various sources, ERP structures clear out data duplication and outfit data decency with a single wellspring of truth.

Today, ERP structures are fundamental for administering a large number of associations, in light of everything, and in all undertakings. To these associations, ERP is just probably as indispensable as the force that keeps the lights on.

ERP systems are arranged around a singular, described data structure (planning) that conventionally has a run of the mill informational collection. This ensures that the information used across the endeavor is normalized and subject to ordinary definitions and customer experiences. These middle forms are then interconnected with business estimates driven by work measures across business workplaces (for instance account, HR, planning, advancing, exercises), partner structures and people who use them. Essentially, ERP is the vehicle for planning people, cycles, and advances across a bleeding edge adventure.

For example: consider an association that structures vehicles by getting parts and fragments from different suppliers. It could use an ERP system to follow the interest and obtaining of these product and assurance that each part across the entire secure to-pay measure uses uniform and clean data related with huge business work measures, business cycles, uncovering, and examination. Exactly when ERP is fittingly sent at this vehicle delivering association, a fragment, for example, "front brake pads," is reliably recognized by part name, size, material, source, bundle number, supplier part number, constant number, cost, and detail, close by a lot of other drawing in and data driven things. Since data is the foundation of each front line association, ERP simplifies it to accumulate, organize, separate, and disperse this information to every individual and system that needs it to best fulfill their work and obligation (Lont D.,2002).

ERP additionally guarantees that these information fields and properties move up to the right record in the organization's overall record so that all expenses are appropriately followed and addressed. In the event that the front brake cushions were designated "front brakes" in one programming framework (or perhaps a bunch of

accounting pages), "brake cushions" in another, and "front cushions" in a third, amount is spent yearly on front brake cushions, and whether it should switch providers or haggle for better valuing.

A key ERP rule is the central arrangement of data for wide apportionment. Rather than a few independent information bases with a perpetual stock of disengaged bookkeeping pages, ERP frameworks carry request to mayhem so all clients—from the CEO to creditor liabilities agents—can make, store, and utilize a similar information determined through regular cycles. With a safe and unified information archive, everybody in the association can be certain that information is right, state-of-the-art, and complete. Information trustworthiness is guaranteed for each assignment performed all through the association, from a quarterly fiscal summary to a solitary remarkable receivables report, without depending on blunder inclined accounting pages.

The Business Value of ERP

It's hard to neglect the impact of ERP in the current business world. As large business data and cycles are corralled into ERP structures, associations can change separate divisions and improve work measures, achieving tremendous principle concern venture reserves. Instances of explicit business benefits include:

1. Improved business understanding from constant data produced by reports
2. Lower operational expenses through smoothed out business cycles and best practices
3. Upgraded joint effort from clients sharing information in agreements, demands, and buy orders
4. Improved effectiveness through a typical client experience across numerous business capacities and all around characterized business measures

5. Reliable framework from the administrative center to the front office, with all business exercises having a similar look and feel
6. Higher client reception rates from a typical client experience and plan
7. Diminished danger through improved information honesty and monetary controls
8. Lower the executives and operational expenses through uniform and incorporated frameworks.

Age investigation is essentially a time sensitive examination regarding due date to decide either how long is left until due date or how long has passed since due date. More often than not age or matured or maturing investigation alludes to the second sort of examination for example how long has passed since due date and this investigation is utilized in setting of receivables to decide steps needed to recuperate obligations from borrowers. This likewise help in deciding awful obligations. If there should arise an occurrence of loan bosses generally the primary kind of examination is readied for example how long is left until provider's receipt falls due so element can anticipate outpourings in like manner before time.

Deals and buys on layaway premise is a vital part of business and because of credit based exercises account holders (or receivables) and banks (or payables) emerges. Albeit the receivables are not gotten or payables are not paid promptly however such money inflows and outpourings separately should be made inside sensible time. On the off chance that installments towards loan bosses are deferred, it harms generosity and can likewise place element in genuine questions and case laws. Then again in the event that receivables are deferred, it harms substance's liquidity and consequently hold element back from making ventures or pay lenders on schedule and in this way may need to take credit to make installments towards liabilities and thus put a weight on element's benefits. In short assuming these inflows and surges don't happen on schedule, element may confront monetary issues.

Preferably the incomes ought to happen on due date as referenced on receipt. For instance, your debt holders should pay you by the date referenced on the receipt you sent and you should pay your banks by the due date as referenced on the receipt sent by them.

Age examination assist us with processing how long the time has passed since due date. So due date goes about as a source of perspective point. Longer the time has passed higher the age will be of neglected solicitations. In basic words this examination assists us with distinguishing the solicitations that are past due and for how long they are remarkable as a rule as far as days. Once in a while age is resolved as far as weeks, months or quarters too yet most generally days are utilized as an action.

Past due implies the due date has effectively passed. For instance, if receipt is 30 days past due it implies 30 days has passed since receipt has fallen due.

Matured examination assist us with deciding a specific date if solicitations are expected. In the event that they are expected, how long have passed since they are expected.

The maturing examination is typically built on a factor of 30 days. In the event that maturing investigation is about borrowers than as a rule the board is keen on realizing how long has passed since receipt has fallen due and it is as yet neglected. The investigation is done as follows:

Not due: The solicitations which that has not fallen due yet

Current: The solicitations that fall due on the current date

30 days: The solicitations that are past due for quite a long time between 1 to 30 days.

60 days: The solicitations that are past due for quite a long time between 31 to 60 days

90 days: The solicitations that are past due for quite a long time between 61 to 90 days

120 days: The solicitations that are past due for quite a long time between 91 to 120 days.

>120 days: The solicitations that are past due for over 120 days.

Nowadays such examination is directed effectively through worked in highlights in automated monetary bookkeeping and detailing programming. These examinations should likewise be possible utilizing accounting page programs like Excel which is popular for delivering such reports.

2.4 Research goal, problem and limitations

The main purposes of this thesis are to analyze problems, challenges, burdens in Financial Reporting process and effects of these for companies. FR system includes preparing financial statements, analyzing them and comparison different periods in order to get obvious information how company operates, what are difficulties and their possible solutions. The financial statements, such as balance sheet, cash flow and profit or loss have immense impact on attracting investors, no matter domestic or foreign. Because investors are outside people from company, and they can check only financial statements of any companies which they want to invest their money to earn more money. If statements in question are not well prepared, that means company is not so professional and also its employees. So, in this master thesis I will give data about this process and weaknesses which can affect future processes.

This thesis paper is divided into 3 parts.

The first stage of paper is included overall theoretical background of FR, brief information about Gilan Holding, their seriousness, advantages and disadvantages. So, this stage is based on what are these standards and their effect on company

management. The purpose of this part is giving common information that will be spoken in the next stages.

The second stage of paper is devoted to determine main problems in reporting stages especially in Gilan, and their available and suitable solutions. In this section I will use questionnaire method for analyzing. This part will also include hypothesizes which are one of the main parts of this thesis, and also research methodology.

In the last third section, I will give conclusion that will include solutions of burdens.

There are some problems in Reporting process of Gilan Holding such as depreciation recognition, did not recognized impairment losses (not all companies, in some companies), cost classification and others. I have limitations related to this topic. They are as following:

1. PSC company went bankrupt and was closed. So, there are few people who I can talk and ask question about Reporting problems;
2. Having little information about differences between Azerbaijan accounting standards and IFRS standards;
3. There are no any published financial report that it would more useful to show real evidences and create comparative analysis.

2.5 Hypothesis

1. According to charging depreciation expenses in the last month of year, changing depreciation charged time will affect to rest of monthly reports negatively.

Photo 1: Hypothesis 1

<i>PROFIT & LOSS BY FUNCTION</i>		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
PLF.02.20	Depreciation & Amortization - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.01	Depreciation - Buildings & Plants	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.02	Depreciation - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.03	Depreciation - Machinery & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.04	Depreciation - Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.05	Depreciation - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.06	Depreciation - Office Equipment & Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.07	Depreciation - Bearer Plants	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.98	Depreciation - Other Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18	Depreciation & Amortization - S&M	-	-	-	-	-	-	-	-	-	-	-	(543,289)	(543,289)
PLF.04.18.01	Depreciation - Buildings & Plants	-	-	-	-	-	-	-	-	-	-	-	(10,291)	(10,291)
PLF.04.18.02	Depreciation - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18.03	Depreciation - Machinery & Equipment	-	-	-	-	-	-	-	-	-	-	-	(532,998)	(532,998)
PLF.04.18.04	Depreciation - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18.05	Depreciation - Office Equipment & Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18.98	Depreciation - Other Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15	Depreciation & Amortization - G&A	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.01	Depreciation - Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.02	Depreciation - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.03	Depreciation - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.04	Depreciation - Office Equipment & Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.98	Depreciation - Other Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.08	NET PROFIT / (LOSS) BEFORE TAX	92,054	105,125	147,322	145,029	132,500	155,000	149,369	148,654	121,675	115,693	115,621	- 433,291	994,751

Source: Compiled by author based on FTD 2019 Financial Report

Photo 2: Hypothesis 1

<i>PROFIT & LOSS BY FUNCTION</i>		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
PLF.02.20	Depreciation & Amortization - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.01	Depreciation - Buildings & Plants	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.02	Depreciation - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.03	Depreciation - Machinery & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.04	Depreciation - Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.05	Depreciation - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.06	Depreciation - Office Equipment & Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.07	Depreciation - Bearer Plants	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.02.20.98	Depreciation - Other Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18	Depreciation & Amortization - S&M	(47,382)	(51,181)	(49,639)	(49,310)	(48,942)	(46,663)	(45,936)	(45,354)	(40,531)	(39,895)	(39,822)	(38,635)	(543,289)
PLF.04.18.01	Depreciation - Buildings & Plants	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(858)	(10,291)
PLF.04.18.02	Depreciation - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18.03	Depreciation - Machinery & Equipment	(46,524)	(50,323)	(48,782)	(48,453)	(48,084)	(45,805)	(45,078)	(44,497)	(39,673)	(39,038)	(38,964)	(37,777)	(532,998)
PLF.04.18.04	Depreciation - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18.05	Depreciation - Office Equipment & Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.04.18.98	Depreciation - Other Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15	Depreciation & Amortization - G&A	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.01	Depreciation - Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.02	Depreciation - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.03	Depreciation - Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.04	Depreciation - Office Equipment & Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.05.15.98	Depreciation - Other Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
PLF.08	NET PROFIT / (LOSS) BEFORE TAX	44,672	53,944	97,683	95,719	83,558	108,337	103,433	103,300	81,144	75,798	75,799	71,363	994,751

Source: Compiled by author based on FTD 2019 Financial Report

The Photo 1 and The Photo 2 show 2019 Profit & Loss by Function Financial Report of FMCG Trade Distribution, but only Depreciation part, and amounts are changed by author because of confidentiality. In the Photo 1, it is seen that depreciation expenses were charged only at the end of 2019 Financial year but full yearly amount. But in the Table 5 all depreciation expenses were charged monthly according to what amount had to be for each month.

Photo 3: Hypothesis 1

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
PLF.10 NET PROFIT / (LOSS) - monthly depreciation	44,672	53,944	97,683	95,719	83,558	108,337	103,433	103,300	81,144	75,798	75,799	71,363	994,750
PLF.10 NET PROFIT / (LOSS) - at the end of year	92,054	105,125	147,322	145,029	132,500	155,000	149,369	148,654	121,675	115,693	115,621	-433,292	994,750

Source: Compiled by author based on FTD 2019 Financial Report

The Photo 3 shows differences between yearly and monthly depreciation charges how affect to Profit & Loss Statement of FTD company for 2019 Financial year. Although the last line of Table 6 shows accurate and real amount of profit at the end of 2019 Financial year, but the remaining months profit & loss amounts do not express real amounts because of incorrect charging process for depreciation.

2. Changing classification of expenses and doing more detailed will improve effectiveness of report, and also may attract new investors.

Photo 4: Hypothesis 2

	Amounts in 1000																									
COST OF GOODS SOLD	-	3,264	-	4,383	-	6,288	-	6,760	-	8,825	-	8,770	-	8,650	-	7,525	-	5,272	-	3,574	-	2,854	-	4,213	-	75,878
Raw & Other Production Materials	-	3,264	-	4,383	-	6,288	-	6,760	-	8,825	-	8,770	-	8,650	-	7,525	-	5,272	-	3,574	-	2,854	-	4,213	-	75,878
Finished Goods																										
Raw Materials - Construction																										
Raw Materials - Production																										
Raw Materials - Agriculture																										
Resalable Goods Cost	-	3,264	-	4,383	-	6,288	-	6,760	-	8,825	-	8,770	-	8,650	-	7,525	-	5,272	-	3,574	-	2,854	-	4,213	-	75,878
Other Raw Materials																										
Fuel & Other Supplementary Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel Costs - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities & Communication - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent Expense - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office & IT Expenses - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation Expenses - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security, HSE & Cleaning Expenses - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation & Impairment - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization - COGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Costs -CoGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Compiled by author based on FTD 2019 Financial Report

The Photo 4 shows FTD LLC COST of GOOD SOLD amounts during 2019 Financial year but amounts changed by author because of confidentiality. As seen from the Photo 4, although COGS amount included many types of expense classes, but had only “Resalable Goods Cost” amount. All of COGS expenses were concentrated in just one line, Resalable Goods cost. This shows that classification was missed, and other expenses, such as distribution, amortization, fuel, personal cost, training cost, salary and wage expenses were not classified in their “Mikro” Accounting System. Indeed, this company is distribution company and it has not many types of COGS expenses, such as production, raw material, semi-finished goods in comparison with production companies. So, due to misclassification of expenses, this company’s financial reports did not show clear results. This misclassification may affect to investors’ thinking and behavior who want to invest their money to this company in question.

2.6 The Empirical Research Logic, Stages and Methods

The research process is based on analyzing of 2 hypotheses. The first hypothesis is devoted to differences between monthly and yearly charging process, and their effects on company's financial reports.

The second hypothesis is based on expense classification, and how misclassification can be affect to company's future operations.

Table 4: Stages and methodology

Stage	Content of stage	Hypothesis tested	Method used
1	According to charging depreciation expenses in the last month of year, changing depreciation charged time will affect to rest of monthly reports negatively.	H1	Dynamic analysis
2	Changing classification of expenses and doing more detailed will improve effectiveness of report, and also may attract new investors.	H2	Dynamic analysis

Source: Compiled by author

III. EMPIRICAL RESEARCH RESULTS OF EVALUATION OF IMPACT OF IFR PROBLEMS IN HOLDINGS

3.1 IFRS Adoption Process in Azerbaijan

To make overall relationships is basic by IFRS, anyway this is irksome because, to an immense degree, each country has its own special course of action of standards. For example, US GAAP isn't exactly equivalent to Azerbaijan NAS. Sorting out accounting measures over the globe is an advancing system in the overall organization. Thusly, our inspiration of forming this paper is to give information about IFRS gathering in the world and generally in Azerbaijan. The Republic of Azerbaijan Accounting Law from 2004 states that IFRS are gotten in their absolute for use by credit affiliations, protection organizations, adventure saves, non-state (private) social resources, substances with protections traded on the stock exchange, besides, business affiliations outperforming unequivocal measurements concerning pay, number what's more, finished resource report. In addition, any business affiliation (other than an almost no one) that has at any rate one reinforcements should design joined financial rundowns according to IFRS. The Accounting law similarly communicates that any progressions to these measures should be made by the IASB and that such changes are incredible when they are legitimately gotten by the IASB. Introducing the all-inclusive accounting rules is one of the necessities of Azerbaijan's blend into the overall organization. We should chat with the worldwide organization in a comparable language of bookkeeping (Ball R.,2006).

Global Standards characterize the guidelines for worldwide acknowledgment of monetary exchanges and financial realities in bookkeeping and announcing. Here is a synopsis of the generally utilized unequivocal reports by different outside clients to get helpful and significant data about associations that assemble and distribute that report.

Truth be told, International Standards ought to be perceived as a synopsis of bookkeeping strategies. Bookkeeping and revealing dependent on International Standards are likewise essential to its administration. We emphasize that its basic role is to utilize outer clients.

The new leading body of the IASB has chosen to rename the principles in 2001. Prior, the guidelines were called IAS and were given in Azerbaijan as IFRS. The recently embraced guidelines are given under the name International-Financial Reporting Standards. All the more explicitly, the norms received in the financial writing until 2000 are known as the English IAU, and the resulting guidelines are called IFRS.

Subsequent to rebuilding the IFRS, a portion of the norms and understandings have been liable to change, some have been finished, some have been dropped and new guidelines have been created.

The work that has become a need for improving bookkeeping and revealing in Azerbaijan and adjusting to global norms has started since 2003. On June 29, 2004 the Decree of the President of the Republic of Azerbaijan embraced the Law on Accounting. In light of this Law, the Cabinet of Ministers of the Republic of Azerbaijan affirmed the National Accounting Standards (NAS) Implementation Program in 2005-2008. Regarding the execution of the program, 37 associations for business associations under the authoritative and methodological direction of the Ministry of Finance - 34, and for non-administrative associations - 1 NAS (Ball R.,2006).

Simultaneously, in 2002 the regulating report "Rules of leading improved on enlistment in private company elements" was affirmed by the Cabinet of Ministers and is presently applied in bookkeeping practice.

Beginning January 1, 2008, 20 freely financed bookkeeping and revealing substances incorporate and aggregate the IFRS. These are vital strides to improve bookkeeping in Azerbaijan.

As of late, particularly since 2008, the interest in applying International Standards, especially the NAS, has expanded fundamentally in Azerbaijan.

One reason, maybe the first, is straightforwardly identified with the progression of unfamiliar venture to Azerbaijan. Accordingly, worldwide associations that don't have precise data about the genuine monetary circumstance and monetary consequences of socially huge associations are reluctant and at times experience issues putting resources into the country. Today, admittance to goliath stock trades for Azerbaijani organizations is just conceivable with the consistence of their bookkeeping and detailing frameworks with International Standards. Arrangement of reports in similarity with IFRS may bring about the chance of going into worldwide capital business sectors of the Republic's undertakings.

Another explanation is the planning and definition of fiscal summaries as per International Standards. Truth be told, we should say that as of now, the budget reports produced in by far most of undertakings are avoided with regards to the cutting edge necessities as far as their straightforwardness, adequacy for clients, particularly for unfamiliar financial backers. Worldwide Standards alludes to solid clients since its commencement and comes from the rules for the adequacy of monetary data that is fundamental for the client's financial dynamic.

Another urgent factor is the utilization of IFRS to give a considerable decrease in the time and assets needed to get ready new public guidelines for bookkeeping. In Azerbaijan, it is straightforwardly liked and has been adjusted to the recently created NAS as per International Standards.

It ought to be noted with lament that after the readiness of the new Accounting Standards, these significant records have not been generously adjusted by experts. (We'll discuss it in detail in one of our next articles). Regardless of certain inadequacies, the planning of the NAS as per IFRS is a critical advance towards taking care of the

issue of making a proficient bookkeeping framework that meets the market economy prerequisites in the Republic.

One of the principle purposes behind the use of IFRS and NAS in the Republic of Azerbaijan is straightforwardly identified with the development of the forces and obligations of the Azerbaijani bookkeepers and the expansion in their insight and abilities. At last, this will prompt the upgrade of the adequacy and significance of monetary records, just as the solidness of the country's economy all in all.

IFRS is viewed as the best result of significant endeavors to improve and fit monetary announcing universally.

The fundamental arrangements of the principles are the premise of public bookkeeping and announcing frameworks in Azerbaijan, as in numerous nations. They are the worldwide standards for nations that set up their own records and announcing prerequisites.

The thought of IFRS incorporates the accompanying arrangement of archives: Introduction to IFRSs, Combining Financial Reporting and Presentation Principles, Standards and Interpretation. Every one of the archives we have referenced are interconnected and make a solitary framework and cannot be applied independently. Simultaneously, each report has its own motivation, being the component of the framework (Sunder S.,2008).

At the hour of the selection of IFRS, the reason and rules of the IFRS Committee's activities are depicted, just as the guidelines for applying the International Standards. The significance of this record is regularly decided in the way in which every standard beginning.

Readiness and introduction of fiscal reports The standards explain the rudiments of planning and introduction of budget summaries for outer clients. The motivation

behind this record is to think about the destinations of the fiscal summaries, the quality attributes that decide the viability of the revealing data, the methodology for perceiving and estimating the components of the budget reports, capital sufficiency and capital insurance. By and large, the standards are not norm and don't fill in for a specific norm. This report is really planned to influence the accompanying:

- IFRS Committee for the planning of new norms and restoration of existing ones;
- To the public principles body, which is liable for the public norms advancement;
- Those who plan budget reports in the use of IFRS and others.

Assuming any of the standards clashes with the pertinent norm, the need is to the necessities of the latteris given.

The IFRS give direction on the planning and introduction of budget reports in a way that meets public interest. Neither the IFRS Committee nor the expert association has the power to agree with the prerequisites of IFRS. Those norms apply to the acknowledgment of the requirement for harmonization of monetary revealing courses of action by different administrative specialists.

As of late, the IFRS Committee has given the accompanying new, specifically: "Mining Industries", "Protection", "Limiting"; The resources of the Pension Plan work on the improvement of norms.

The IFRS framework is expected to incorporate any exchange, creation and other business associations (counting banks, insurance agencies and other monetary organizations). For this situation, the sorts of exercises, branch members and the authoritative document of ventures don't assume any part. Global and National Standards are valuable both for private and public area.

For outfit game plan makers with the information they prerequisite for executing new accounting courses of action and corporate cash related uncovering in Azerbaijan, superior grade and clear cash related information or IFRS is basic for Azerbaijan.

There are a couple of phases of meaning of IFRS. These benchmarks:

- reflect monetary reality;
- are associated dependably;
- are done and maintained by expansive arrangement learning;
- oblige all out disclosures;
- reinforce strong corporate organization;
- are all around the world appreciated by all accomplices.

So great cash related uncovering will strengthen the country's budgetary plan and lessening the threat of financial crises and shocks, the results of which have a dangerous impact as affirm the world over. Superior grade financial uncovering improves cash related straightforwardness and duty just as plays a basic occupation in ensuring incredible organization and supporting the advancement of a market economy. Meanwhile, IFRS is the legitimate framework for open interest components. The determination of IFRS in Azerbaijan is helpful to money related improvement and cash related structure constancy with positive monetary ramifications for budgetary weight, cost of capital and openness of nearby and far off save reserves.

There are similarly troubles of realizing IFRS:

- Thus, IFRS are essentially planned for open interest substances (PIEs) and other enormous associations and generally not adjusted to pretty much nothing and medium-sized components (SMEs);

- Adoption of IFRS addresses a social change (effectively, monetary rundowns were cultivated for evaluation purposes, as of now they are really looked at by examiners and various accomplices);
- Adoption of IFRS is a critical interest on schedule, resources and specific inclination;
- Adoption of IFRS has imperative impact on charge assortment at whatever point used as obligation premise;
- Embedding IFRS isn't just a particular exercise, it incorporates the reordering of information and revamping of the financial reports;
- The assignment of IFRS isn't just about the use of accounting strategies. IFRS requires the apportionment of a totally remarkable course of action of execution assessment and correspondence with outside accomplices, that is the explanation there is furthermore a couple rational challenges: staff authority and data – prerequisite for IFRS qualified neighborhood accountants;
- Analysis of accounting draws near – IFRS layout of records for gigantic state adventures;
- IFRS change issues for most of the state-had adventures (joined financial outline, intercompany trades, related assembling openings, etc.);
- Impact on accounting and declaring structures, including redesign of IT systems;
- Data aggregation to convey a ton of IFRS reliable money related information

All substances joined up with Azerbaijan are needed to keep up their books and records on the space of Azerbaijan in close by cash and according to the actually introduced NAS, which have been set up on the reason of IFRS. Enrolled business associations were needed to start setting up their spending reports according to the National Accounting Standards for Commercial Associations or IFRS. One wonderful

difference among NAS and IFRS is the use of a necessary diagram of records. The actually introduced Accounting Law moreover specifies that each important component, including credit establishments, protection offices, theory resources and business affiliations, which meet certain measures, will be dependent upon IFRS. Others should seek after NAS or IFRS. Minimal private associations selected as revised residents are not obliged to keep organized records and are subsequently not needed to seek after NAS or IFRS.

In rectifying its Accounting Law, Azerbaijan has seen the meaning of superior grade and clear cash related itemizing for the headway of monetary turn of events. At any rate certifiable execution of the new Accounting Law stays a test everything being equal altogether countries executing new cash related reporting system and particularly IFRS (Upton Jr, W.S., 2001).

The Republic of Azerbaijan Accounting Law from 2004 requires IFRS for the going with sorts of substances: credit affiliations; protection offices; adventure holds; non-state (private) social resources; components with protections traded on the stock exchange; additionally, business affiliations that on the date, to which the spending reports are orchestrated, outperform two of the cutoff points (for yearly pay, ordinary number of laborers in the midst of the cash related year and complete resource report) in a total constrained by the significant authority trained professional. Likewise, any business affiliation (other than somewhat one) that has at any rate one reinforcements should design joined cash related decrees according to IFRS.

Beforehand, spending rundowns were the obligation of the primary clerk (even in Europe). As of now this is transformed into a fundamental point of convergence of survey chamber and Board. Budgetary declaring is a vital piece of a greater conundrum. Equal changes and particularly building up execution order are needed to help the use of IFRS, tallying: The legal condition should be changed as per increase commitment

of the authorities for the cash related declaring; Audit necessities should be adjusted in like way and raised to a worldwide benchmark level; Stock exchange regulators should release standards and rules for beginning posting and sensible trade; Adoption of IFRS for PIEs and the endorsing methodology of new/changed rules should be introduced into the genuine structure; Translating and advancing reviving IFRS into Azerbaijani is essential.

Budgetary reporting is fundamental importance but then this isn't an end in itself. The objective is to strengthen country's cash related system and to develop the close by economy.

CONCLUSION AND RESULTS

1. The at the end in, first out (LIFO) method for stock valuation is limited under IFRS, anyway it is permitted in the United States, which uses sound bookkeeping rules (GAAP).

IFRS restricts LIFO because of potential mutilations it might have on an organization's benefit and fiscal summaries. For instance, LIFO can downplay an organization's profit for the reasons for keeping available pay low. It can likewise bring about stock valuations that are obsolete and outdated. At long last, in a LIFO liquidation, deceitful directors might be enticed to misleadingly swell profit by auctioning off stock with low conveying costs. Gilan has some companies that LIFO method is more suitable for their accounting and working process. For example, Gilan Concrete Company cannot use FIFO method for its accounting, because of their working conditions.

2. In accounting, impairment portrays an enduring lessening in the assessment of an association's asset, typically a fixed asset or an elusive asset. When testing an asset for shortcoming, the outright advantage, pay, or other benefit expected to be made by that specific asset is every so often differentiated and its current book regard. If it is settled that the book assessment of the asset outperforms the future pay or benefit of the asset, the qualification between the two is limited and the assessment of the asset rots on the association's bookkeeping report. Debilitation misfortunes are not determined in any organizations of Gilan Holding. This effects to revealing off base measures of resource. Assets may lose their bookkeeping esteem due to diminishing their reasonable worth. For this situation, organization don't down its resource esteems to showcase worth, and resources are appeared in their expanded worth in bookkeeping framework.

3. Depreciation expenses were really significant burden for some companies which PSC serviced. Some companies calculated and recognized depreciation charge of Property, plant and equipment at the end of year, and they did not show any monthly expenses in their accounting system, and that is why monthly reports prepared by Reporting team did not show real amounts and also profit or loss.

4. General provision are monetary record things addressing reserves put to the side by an organization as resources for pay for expected future misfortunes. For banks, an overall arrangement is viewed as strengthening capital under the primary Basel Accord. General arrangements on the accounting reports of monetary firms are viewed as a higher danger resource since it is verifiably expected that the fundamental finances will be in default later on. Although PSC company were preparing accruals and provisions such as receivable, inventory, Value added tax (VAT), unused vacation, profit tax and others for other companies which gave consulting services, some managers of these companies did not agree with provisions. Because these provisions were future expenses, and they decreased profit.

5. ERP is an interaction utilized by organizations to oversee and incorporate the significant pieces of their organizations. Numerous ERP programming applications are essential to organizations since they help them carry out asset arranging by incorporating the entirety of the cycles expected to run their organizations with a solitary framework. An ERP programming framework can likewise incorporate arranging, buying stock, deals, promoting, account, HR, and then some. ERP System is not applied by any companies of Gilan Holding. As mentioned before, ERP System is more important and useful system for almost all department of company, and it makes it easy of these departments works.

6. So it can be closed from the above focuses that monetary detailing is vital from different partners' perspective. Now and again for huge associations, it turns out to be

exceptionally perplexing however the advantages are undeniably more than such intricacies. We can say that monetary announcing contains dependable and important data which are utilized by numerous partners for different purposes. A sound and hearty monetary revealing framework across businesses advances great rivalry and furthermore works with capital inflows. This, thus, helps in monetary turn of events.

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