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APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – STIPULATION OF IMPROVING THE QUALITY OF ENTERPRISE MANAGEMENT

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The article considers the advisability of application of principles and accounting approaches of International Financial Reporting Standards for the purposes of management accounting and identifies basic areas of their usage in systems of financial and management accounting.

International Financial Reporting Standards, management accounting, management reporting, financial accounting, financial reporting.

ЗАСТОСУВАННЯ МІЖНАРОДНИХ СТАНДАРТІВ ФІНАНСОВОЇ ЗВІТНОСТІ – УМОВА ПІДВИЩЕННЯ ЯКОСТІ УПРАВЛІННЯ ПІДПРИЄМСТВОМ

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У статті розглянуто доцільність застосування принципів та облікових підходів міжнародних стандартів фінансової звітності для цілей управлінського обліку та визначено основні напрями їх використання в системах фінансового та управлінського обліку.

Міжнародні стандарти фінансової звітності, управлінський облік, управлінська звітність, фінансовий облік, фінансова звітність.

ПРИМЕНЕНИЕ МЕЖДУНАРОДНЫХ СТАНДАРТОВ ФИНАНСОВОЙ ОТЧЕТНОСТИ – УСЛОВИЕ ПОВЫШЕНИЯ КАЧЕСТВА УПРАВЛЕНИЯ ПРЕДПРИЯТИЕМ

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В статье рассмотрено целесообразность применения принципов и учетных подходов международных стандартов финансовой отчетности для целей управленческого учета и определены основные направления их использования в системах финансового и управленческого учета.

Международные стандарты финансовой отчетности, управленческий учет, управленческая отчетность, финансовый учет, финансовая отчетность.

Problem statement

In current economic conditions, the need in implementation of the system of managerial accounting and preparation of internal management reports is arising in Ukraine. This is connected with the need of preparation of information for the management of the enterprise for the purpose of budgeting, analysis and control, timely response to negative changes in the enterprise activities, preparation of optimal management solutions, which are aimed at the improvement of the efficiency of the enterprise's performance and the search of prospects of its further development.

Building management accounting system with the use of the methodology of International Financial Reporting Standards (*hereafter* – IFRS) will be appropriate for domestic enterprises, which according to The Order of Presentation of the Financial Reporting [10] are required to prepare it according to IFRS, as well as for enterprises that independently determine the need of implementation of international standards for the preparation of financial reporting.

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Analysis of recent research and publications

In the scientific literature, research is devoted to the problem of implementation of management accounting in enterprises, to the basic principles of its construction and to the theoretical and practical aspects of management of accounting. Many domestic scholars devoted their research to these issues: Y.A. Veruiga, O.S. Borodkin, G.G. Kireytsev, M.S. Pushkar, V. Rudnytsky, V.K. Savchuk, L.K. Suk, M.G. Chumachenko and others.

Analysis of recent scientific research [2; 4; 5; 6; 13] shows that domestic scientists in their articles determine the basic objectives, principles, organizational bases of building of management accounting and its functions, place of management accounting in the accounting system and its role in enterprise management. In addition, they contemplate theoretical and practical aspects, methods of implementation of management accounting in enterprises and analyze the efficiency of its use.

Unsolved parts of the problem

Despite numerous scientific papers, the research of the theory and practice of management accounting at Ukrainian enterprises remains relevant. The problem of application of principles and methods of IFRS in managerial accounting in order to use managerial information obtained during the construction of an efficient and optimal system of strategic management is still slightly covered, scarcely explored and requires further study and highlight. In scientific studies not enough attention is also paid to problems of convergence of managerial and financial statements prepared on the basis of IFRS.

The goal of the article is to prove the usefulness of implementation by enterprises, which prepare financial statements using IFRS, of statements of international standards during the process of the construction of management accounting system in modern conditions. Another goal is to identify possible areas of usage of basic principles and IFRS accounting approaches in management accounting, which will improve the quality and transparency of accounting information. It is also important to determine not only analytical information and the efficiency of its use for management decisions, but also convergence of financial and management reporting prepared by the same international standards.

Main research results

The problem of management accounting, which is based on IFRS, is almost not considered in domestic scientific literature. Y. Bezverkhnia indicates that management accounting and reporting may be carried out according to Principles (Standards) of Accounting, International Financial Reporting Standards IFRS, and US GAAP or in a mixed variant [1, p.52]. For large industrial enterprises, she considers that it is expedient to focus on IFRS, whereas national accounting standards are most appropriate for small and medium enterprises [1, p.57].

The question area on the problems of construction accounting management based on IFRS principles, IFRS use in accounting management, financial and management accounting synchronization and highest possible convergence, and, consequently, of financial and management reporting, based on IFRS, has become popular among Russian scholars and practitioners. These persons have experience in solving administrative and financial tasks, as well as in development of strategic decision-making system [3; 9; 11; 12].

Indeed, implementation of management accounting under IFRS, which regulate not only the order of financial reporting and determine accounting approaches to the various objects of accounting, but also include management approaches, is promising and appropriate for the construction of managerial accounting and analytical informative system. Furthermore, they are feasible for compilation of accurate, objective and operational internal management reporting for optimal decision-making management of enterprises of different governing levels and of various responsibility centers, as well as efficient enterprise management.

According to p.9 of International Accounting Standard (*hereafter* – IAS) 1 "Presentation of Financial Statements", the goal of the financial reporting is giving information that is useful for a wide range of users during making management decisions [7]. However, IAS do not only regulate the common order of preparation of financial reporting and determine accounting approaches to different objects of accounting, but also include managerial approaches.

In order to carry out managerial activity, to conducte analytical evaluation of the efficiency of asset management and other accounting objects, to take measures to improve the results of activity of the enterprise, it is advisable to:

- apply managerial components of international standards in the formation of accounting policies for the purpose of management accounting;
- follow accounting principles of international standards and determine trends of their using in management accounting in order to improve value of the business;
- identify technological classification of accounting objects according to IFRS in order to create a chart of accounts of management accounting;

- generate value, make the choice of methods of evaluation and to manage accounting objects according to IFRS;
- make up an internal, including segmental, managerial reporting according IFRS for the purpose of evaluation of the activity of responsibility centers and efficiency of business operations

Despite the fact that management accounting includes financial and non-financial information, and financial and managerial reporting solve different problems, the construction of management accounting system based on the principles of IFRS will let to unify management and financial accounting. It will also minimize differences in the information, which is shown in financial and management reporting, including reduction of the difference in financial results of the enterprise, which were obtained basing on financial and management accounting data. As A.B. Polozov mentions, "fragmentation" of management and financial reporting creates additional problems for the enterprise, complicates understanding of the real picture of profitability or loss of business [9].

Let`s consider main directions of provisions of International Financial Reporting Standards (IAS, IFRS) [7] in financial and management accounting systems for the preparation of internal management reporting in order to manage the enterprise.

1. IAS 1 "Presentation of Financial Statements" (specifies the overall requirements for the presentation of financial statements, guidelines for their structure and minimal requirements for their content; principles of preparation of financial statements and general qualitative characteristics of accounting financial information). During the formation of the system of managerial accounting, enterprises can follow principles of IFRS, qualitative characteristics which must be met by management information, and prepare management reporting with minimal content of papers given in the standard, but with enhanced management information using not only the units of measurement, but also actual measurement, relative indicators etc.

2. IAS 2 "Inventories" (establishes the procedure of formation of financial accounting information about inventories and its disclosure in the financial statements). Guided by IAS 2, enterprises can:

– use classification of inventories during the process of construction of the chart of management accounts, grouping costs (direct, indirect, fixed, variable for the calculation of production costs) for the purposes of management accounting;

– choose methods of assessment of inventories in terms of changing prices for the purchase of inventories, and determine the character of impact of the method of evaluation of inventories on the financial result.

In addition, for making various kinds of managerial decisions, ensuring effective pricing policy, defining cost-effective kinds of products, it is appropriate to use the method of accounting of costs for the production and calculation of production costs, which is included in the standard, to be exact – the method of compensation of marginal production costs («standard direct costing»).

3. IAS 7 "Statement of Cash Flows" (defines requirements for preparation and submission of "Statement of Cash Flows, which separates cash flows on operating, investing and financial activities during the period and enables users to evaluate the impact of those activities on the enterprise's financial position and amount of its cash and cash equivalents). Enterprises can use IAS 7 in managerial accounting while budgeting the flow and analysing of the use of cash in order to split cash flows (cash receipts and payments) in cash flows from operating, investing and financial activities. They can also use it for the preparation of managerial cash flow statement. However, enterprises can prepare this statement not only for the whole enterprise, but also with detailed analysis on its individual departments in order to monitor the performance of budgets of cash flow. It will help them to provide solvency and liquidity of the enterprise overall and on its individual business units.

4. IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (regulates criteria for choosing and changing accounting policies, changes in accounting assessments and corrections of errors of prior period). It is appropriate for the enterprise to:

– use the provisions of this standard during the formation of accounting policy for the purposes of managerial accounting and its change;

– follow the requirement of ensuring of appropriateness , relevance, accuracy and consistency, which will allow users to compare indicators of managerial reporting during different periods for identification of trends in the development of financial and business performance of the enterprise.

5. IAS 10 " Events After the Reporting Period " (defines the procedure of adjustments and disclosures in financial statements on the events after the reporting period). Enterprises can apply provisions of the standard to management reporting and disclose information about events after the balance sheet date in it. However, it should be considered that these events in managerial accounting are treated as current period events.

6. IAS 11 "Construction Contracts" (sets the approach to financial accounting of revenues and costs associated with construction contracts, with contractors, and the order of disclosure of relevant

information in the financial statements). The enterprise has a choice of methods, in accordance with IAS 11, to determine the contract revenue recognized for the certain period. It also has a choice of methods for determination the degree of completion of contracts in progress that can be used in managerial accounting.

7. IAS 12 "Income Taxes" (considers the order of accounting and disclosures in the financial statements the income taxes, including current and deferred income taxes). During the preparation of internal management reporting it is advisable to recognize deferred income taxes and display them in it, because otherwise users of management reporting receive false information about their own profit, the equity and liabilities of the enterprise.

8. IAS 16 "Fixed Assets" (defines the procedure of fixed assets accounting and disclosure of the information about them in the financial statements). Guiding by IAS 16, enterprises can:

– use professional judgment in managerial accounting for the recognition that the cost of a separate item of the enterprise is its asset, because IAS 16 does not define evaluation unit for recognition, that is, it does not define a separate item of fixed assets;

– use classification of fixed assets during the construction of managerial chart of accounts.

Furthermore, in order to improve the efficiency of usage of fixed assets and to evaluate the impact of elements of accounting policy on financial results, enterprises can select the method of evaluation after recognition of fixed assets (cost method or the revaluation method). They can also choose depreciation methods and revise them, establish duration of operation activity and terms and conditions of their revision for the purposes of managerial accounting.

9. IAS 17 "Leases" (specifies accounting policy and procedure for disclosure of information in financial statements in on leasing contract by lessees and lessors). Enteprises, during the formation of the managerial chart of accounts, can use classification of lease (in managerial accounting – other provisions of the standard). They can namely use the order of initial recognition and the order of revenues and expenditures accounting with lessor and lessee.

10. IAS 18 "Revenue" (specifies an accounting approach to revenue arising from certain types of transactions). Enterprises can adopt the approach for the recognition of revenue in managerial accounting and in preparation of managerial reporting, including methods that are used to determine the degree of completion of the service transactions.

11. IAS 19 "Employee Benefits" (defines the procedure of accounting and disclosures in financial statements of all types of employee payments except for those to which IFRS 2 "Share-based Payment" is used). Classification of employee benefits, as well as their recognition and evaluation (given in IAS 19) can be applied during the formation of managerial chart of accounts and accounting policies for managerial accounting.

12. IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" (regulates general approaches to accounting of governmental grants, and the order of disclosure of information about them, and about other forms of government assistance in financial reports). Commercial entities can:

– apply in managerial accounting methods of accounting of governmental grants (method of capital, method of income), choose non-monetary approach to accounting of governmentalal grants (primary or alternative);

– choose the method of submission of information about governmental grants during the preparation of management reporting (adopted for financial reports).

13. IAS 21 "The Effects of Changes in Foreign Exchange Rates" (establishes the procedure of determination of the functional currency, the order of presentation of foreign currency transactions and foreign activity in accounting and financial reporting, and recalculation of indicators of financial reports into the currency of presentation, including that one,which differs from the functional currency). The functional currency in managerial accounting can be any currency or currencies (hryvnia, dollar, and euro). Selection of currency depends on the currency by which the enterprise sells the most part of its products or buys inventories from suppliers, or takes bank loans, or pays rents, etc. Selection of currency can also depend on distribution of assets (in the country and abroad), location of a parent enterprise (in the country or abroad), and inflation in the country. However, it must be considered that some transactions are always in UAH (accrual of taxes, payments on salaries, municipal services, etc.). However, managerial reporting consists mainly in one currency, which the enterprise chooses. It is necessary for the enterprise to establish rules of displaying of items of reports and the moment of recalculation of currency. Therefore, for choosing functional currency and preparation of managerial reporting, enterprises can use rules of IAS 21.

14. IAS 23 "Borrowing Costs" (regulates the procedure of accounting of borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, and their display in financial statements). In managerial accounting, enterprises can be guided by the requirements of IAS 23 on classification of borrowing costs, classification of qualifying assets, and the order of borrowing costs capitalization.

15. IAS 24 "Related Party Disclosures" (establishes the procedure of forming of information on transactions of related parties and its disclosure in the financial statements). Operations of the enterprise with related parties may affect financial results on financial condition of the enterprise, and the assessment of its performance by users of managerial reporting, including the assessment of risks and opportunities. Because of these reasons, enterprises may use the provisions of IAS 24 during the preparation of managerial reporting.

16. IAS 26 "Accounting and Reporting by Retirement Benefit Plans" (standard complements IAS 19 "Employee Benefits" and regulates the procedure of reporting on pension provision programs in those enterprises where such statements are being prepared). If enterprises implement a variety of the pension provision programs, which may be financed by contributions to insurance companies or funds managed by trustees, and the contribution rate is determined basing on actuarial calculations performed periodically, then enterprises in managerial accounting can implement programs that are in IAS 26 (they are programs with defined benefits, programs with defined contribution, and programs that combine characteristics of both types), and disclose information in managerial reporting in accordance with IAS 26.

17. IAS 27 "Separate Financial Statements" (IFRS 10 "Consolidated Financial Statements" replaces the provisions of IAS 27 relating to the preparation of the consolidated financial statements. Therefore, IAS 27 has changed its name, and in the new edition it provides guidance on the accounting of investments in subsidiaries, associates and joint enterprises in the separate financial statements). If the parent enterprise or investor, who has joint control over the investee or has significant influence on it, constructs separate financial statements, then for the purpose of effective management, analysis and operational control, such enterprises can be guided by the provisions of the standard for the preparation of a separate managerial reporting.

18. IAS 28 "Investments in Associate and Joint Ventures" (regulates methodological aspects of accounting of investments using the equity method in associates and joint ventures that have significant influence on the investee or have joint control over it). Application of the equity method in managerial accounting and in the preparation of managerial reporting provides more informative reporting (with detailed information on each associate enterprise separately) about net assets, gain or loss of the investor and allows management personnel to assess the effectiveness of investments and make appropriate managerial decisions.

19. IAS 29 "Financial Reporting in Hyperinflationary Economies" (regulates the order of adjustment on the effects of inflation of items of financial statements, and consolidated financial statements of any enterprise whose functional currency is the currency of a hyperinflationary economy. In current economic conditions, Ukraine cannot be attributed to the country with hyperinflationary economy, but enterprises, basing on standard conditions of determination of hyperinflationary economy and the professional judgments, may apply rules of this standard in financial reporting). During the preparation of managerial reports, the enterprise can focus on standard rules, if it believes inflation factor significantly affects managerial decisions. Also, if management takes into account consolidated statements reporting of subsidiary enterprises, which operate abroad in hyperinflationary economies, the transactor may use statements of IAS 29. However, the devaluation of the national currency, the presence of inflation processes (regardless inflation) and some other factors (see IAS 21) forces domestic enterprises to choose a stable currency, like the US dollar, for conducting managerial accounting and managerial reporting.

20. IAS 32 "Financial Instruments: Presentation" (considers issues on classification of financial instruments and recognition in accounting, issues on the classification of related with them interest, dividends, losses and gains and also minimization of financial asset and financial liability. Complements the principles of recognition and assessment of financial assets and financial liabilities, given in IFRS 9, and principles of information disclosure about them, given in IFRS 7). Guided by IAS 32 standards, enterprises can:

– apply the classification of financial instruments in the construction of managerial chart of accounts for the purpose of accurate assessment and management of risks, which relate to financial instruments and may occur in the future;

– focus on accounting approaches to the recognition of interests, dividends, losses and gains relating to financial instruments in management accounting.

Examples of financial instruments, listed in the annex to the standard, enable the enterprise to make the right decision on managerial accounting in determining the composition of main financial instruments (financial assets, financial liabilities, equity instruments) and derivative financial instruments (financial options, futures and forward contracts, etc.).

21. IAS 33 "Earnings per Share" (regulates the procedure of earnings per common share determination and its disclosure in the financial statements). It is admissible to use in managerial accounting methodology of determination of analytical indicators of

financial results of the activity of joint stock enterprises, stated in the standard. Enterprises use it for the purpose to determine the performance efficiency and management efficiency of joint stock enterprise management. They use it for the purpose of activities and the dividend policy assessment for the enterprise, ordinary or potential ordinary shares of which are traded on the open market, or which takes the financial statements (consolidated financial statements) to the Securities Commission or other regulation organization.

22. IAS 34 "Interim Financial Reporting" (defines the form and content of an interim financial report and the principles of recognition and measurement in complete or condensed financial reports for the interim period, but the standard does not require its obligatory preparation). Managerial reporting can be formed in any period, may be annual (yearly shape), intermediate (constructed quarterly, monthly), and active (shaped weekly, daily). During drawing up of the operational managerial and interim reporting, enterprises can be guided by the rules of IAS 34, while it is possible to choose full or brief type of reporting. If the enterprise decided to draw up a brief type of reporting it must meet the requirements of IAS 34. If the enterprise decides to draw up a full type of reporting it must meet the requirements of IAS 34 and IAS 1.

23. IAS 36 "Impairment of Assets" (regulates evaluation of the process of finding of the evidence of impairment; the formation of accounting information about impairment of assets and disclosure of information in financial reporting). In managerial accounting it is advisable to assess impairment of assets and display information about this process in managerial reporting, because it affects the financial performance of the enterprise and provides the necessary information for decision-making about the effectiveness of future use of the current object or its implementation. However, this process takes a long time (especially if the enterprise has a large number of assets). Therefore, enterprises must identify at least one sign of impairment (internal or external), and then estimate the recoverable amount of the asset. In addition, the enterprise for managerial purposes should establish reporting date for the evaluation of assets.

24. IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (defines the procedure for the recognition, measurement and disclosures in financial statements about provisions, contingent liabilities and contingent assets). If the enterprise creates provisions (reserves) in management accounting, it may focus on the requirements of IAS 37 regarding the criteria for their recognition and measurement. In addition, activities of any enterprise can be associated with uncertain events, which may or may not occur in the future, are not controlled by the enterprise and are not recognized in financial statements. Therefore, information on such events (contingent liabilities and contingent assets) must be given to managers for the decision-making and regularly evaluated. It should be done in order to determine whether there is a possibility of an outflow of economic benefits (contingencies) and confident inflow of economic benefits appeared (contingent assets). This will ensure appropriate reflection of changes in management reporting (in the case of recognition of such liabilities and assets when they are no longer referred to the contingent).

25. IAS 38 "Intangible Assets" (specifies the order of accounting of intangible assets, criteria of their recognition, methods of evaluation and information disclosure in financial statements). In order to improve the efficiency of intangible assets use and assessment of the impact of accounting policies elements on financial results, the enterprises in managerial accounting can be guided by given in IAS 38:

– examples of classes of intangible assets during the formation of the managerial chart of accounts;

– requirements for the valuation of intangible assets in the acquisition or creation on their own;

– methods of evaluation after recognition of intangible assets (cost model or the revaluation model);

– the procedure of establishment of useful economic lives and the terms of their review;

– depreciation methods and the procedure of their review.

26. IAS 39 "Financial Instruments: Recognition and Measurement" (regulates the procedure of impairment of financial assets (or their groups) that are measured at amortized cost, and also the order of hedge accounting). For the purpose of the effective management of financial instruments and risk management, which are connected with the use of financial instruments (minimization and limitation of financial and economic risks, creation of the system of protection against risks and potential losses in the future), the enterprise should be guided by norms of the standard of the issues on impairment of financial assets and hedge accounting.

27. IAS 40 "Investment Property" (regulates the procedure of accounting of investment property and information disclosure about it in the financial statements). In order to improve the efficiency of usage of objects of investment property and to determine the nature of the impact of operations with such kind of objects on financial results, the enterprise, following IAS 40, may:

– choose the method of evaluation after recognition of investment property (fair value model or the cost model);

– choose the method of depreciation;

– establish useful economic lives and terms and conditions of their review (cost model);

– apply the procedure of the fair value determination (fair value model);

– realize recognition and measurement in case of transfereither of assets from or to investment property.

28. IAS 41 "Agriculture" (defines methodological principles of formation of information in accounting about biological assets and about acquired in the process of biological transformation of agricultural products, harvested as crop, and information on governmental grants, related to biological assets and information disclosure in financial statements). In order to manage effectively an agricultural enterprise, it is appropriate to apply provisions of IAS 41 in managerial accounting, as follows:

– the order of recognition and measurement of biological assets and agricultural products;

– the order of accounting profits (losses) arising during the current period on initial recognition of biological assets or agricultural products, or as a result of changes of their fair value minus costs for the realization of biological assets;

– the order of the recognition of governmental grants related to biological assets.

29. IFRS 1 "First-time Adoption of International Financial Reporting Standards" (defines the procedure, which is used by those enterprises that use IFRS for preparation of financial reporting for the first time). If during the transition to IFRS, the enterprise plans to make further management reporting, as well as the financial statements using standards IAS 1 and IAS 34, then it is appropriate to establish the first managerial reporting in accordance with IFRS 1.

30. IFRS 2 "Share-based Payment" (regulates the order of accounting and disclosures of information in the financial statements about transactions, payment for which is based on shares using equity instruments and/or cash). Transactions, for which payment is based on shares, have the impact on financial results of the enterprise and its financial position. Therefore, the enterprise in management accounting can be guided by the procedure for recognition and measurement of such transactions, specified in IFRS 2, and disclose relevant information in managerial reporting, which is necessary for enterprise management for making effective managerial decisions.

31. IFRS 3 "Business Combinations" (defines the procedure for the disclosure of information in the financial statements of a business combination and its results). If the enterprise has acquired the business (not an asset or group of assets), which does not constitute a business, then in managerial accounting it is appropriate to use the method of accounting for business combinations, called combination method, principles of which are disclosed in IFRS 3.

32. IFRS 4 "Insurance Contracts" (defines the process of preparation of financial statements conserning insurance contracts of enterprises (insurers) that produce such contracts). In managerial accounting, it is possible to implement accounting rules and the procedure of disclosure of information about contracts of insurance and reinsurance, usage of the procedure of recognition and evaluation criteria, described in IFRS 4, which may have an impact on earnings, financial results and decisions of users of managerial reporting.

33. IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (specifies the order of accounting of non-current assets (or liquidation groups) held for sale, as well as presentation and information disclosure of discontinued operations). In order to present accurate data on discontinued operations to management personnel, who will be able to evaluate financial performance and results of such retirement of non-current assets (or liquidation groups), enterprises in management accounting can be guided by rules of IFRS 5 for classification and evaluation of non-current assets (or liquidation groups) held for sale, as well as they can be guided by information disclosure requirements on discontinued operations in the financial statements.

34. IFRS 6 "Exploration for and Evaluation of Mineral Resources" (specifies the order of accounting of expenditures incurred by the enterprise in connection with the exploration for and evaluation of mineral resources). During the formation of accounting policy for the purposes of managerial accounting, it is advisable for mining industry enterprises to apply the provisions of IFRS 6 on recognition and evaluation of assets, related to the search and evaluation of mineral resources, as well as the procedure of recognition and assessment of exploration and evaluation assets for impairment.

35. IFRS 7 "Financial Instruments: Disclosures" (regulates the procedure of disclosure of information about financial instruments in financial reporting and complements the principles of recognition, evaluation and presentation of financial assets and financial liabilities that were presented in IAS 32 "Financial Instruments: Presentation" and IAS 9 "Financial Instruments"). Disclosure of information in managerial reporting in a manner that is defined by IFRS 7, will allow users of such statements to evaluate the significance of financial instruments for financial position and impact on the performance of the enterprise. In addition, it will let to evaluate the nature and extent of risks (credit risk, liquidity risk, market

risk, etc.), which arises from financial instruments and to which the enterprise is exposed at the end of the reporting period [7]. As a result, the enterprise will be able to manage financial instruments and to find optimal solutions.

36. IFRS 8 “Operating Segments” (defines methodological principles of forming the necessary information for each reportable segment and its disclosure in the financial statements). IFRS 8 contains managerial approach for the compilation of external segment reporting, which data should be based on data from internal (managerial) segmental reporting, prepared in the context of operating segments, which results are reviewed regularly, monitored and analized by senior management during making operational decisions and performance assessment. Thus, for the preparation of internal segmental reporting, enterprise can determine the operating segments and generate the necessary information about them under the managerial approach, specified in IFRS 8, for the purpose to forecast risks, revenue prospects of future cash flows in a separate reportable segments, performance and efficiency assessment of the enterprise as a whole and its individual segments.

37. IFRS 9 “Financial Instruments” (establishes the procedure for classification, recognition and derecognition, evaluation of financial assets and financial liabilities). It is possible to use in managerial accounting:

– single classification model, initial evaluation, measurement of financial assets after initial recognition (at amortized or fair cost) and the suspension of their recognition;

– single model of classification and evaluation of financial liabilities and suspension of their recognition;

– business model for financial assets management.

According to A.B. Polozov, IFRS 9 is the additional possibility of eliminating unnecessary and unjustified differences between internal and external reporting of the enterprise [8]. In order to do this, there are significant preconditions, such as further movement of reporting in accordance with IFRS towards management approach. New classification of financial assets for IFRS purposes will depend entirely on internal, managerial business models in financial assets management [8].

38. IFRS 10 “Consolidated Financial Statements” (establishes a single control model, principles of preparation and presentation of the consolidated financial statements of the parent enterprise that controls one or more other entities (subsidiaries). This IFRS replaces the requirements for consolidated financial statements set out in IAS 27 and in SIC-12 “Consolidation: Special Purpose Entities”). For the purpose of effective financial management, planning, operating analyses and operative control statements of the standard (conserning the usage of the principle of control and accounting requirements for the preparation of consolidated financial statements) can be used for consolidation of managerial information and formation of consolidated management reporting. It will give the opportunity to managerial personnel to get reliable and operative data and to analyze them.

39. IFRS 11 “Joint activity” (defines principles of preparation and presentation of financial reporting of enterprises, which have a stake in joint activities that are jointly controlled by two or more parties. This IFRS replaces IAS 31 “Interests in Joint Ventures” (inept) and SIC 13 “Jointly Controlled Entities-Non-Monetary Contributions by Venturers”). To approximate data on obtained financial and managerial accounting of operations, enterprises with joint activity may be guided in managerial accounting by principles of IAS 11, according to which they should determine the type of joint activities and keep records in accordance with the methodology, which is set out in the standard:

– if the type of joint activities is “joint operations”, then the enterprise keeps records of its share of assets, liabilities, revenues, and expenses of joint operations. The enterprise keeps records in accordance with international standards applicable to such assets, liabilities, income, and expenses;

– if the type of joint activities is “joint ventures”, then records are maintained by the equity method.

40. IFRS 12 “ Disclosure of Interests in Other Entities” unites the requirements on information disclosures in the financial statements of the eterprise’s stake in subsidiaries, joint ventures, associates and structured enterprises that are not controlled by the entity (unconsolidated structured entities). The standard contains requirements that were previously included in IAS 27, IAS 28 and IAS 31, as well as new requirements.

If the management and owners of the enterprise must assess the nature of its participation in other enterprises and associated with it risks, as well as the impact of shares on financial and business performance of enterprise, enterprises can focus on IFRS 12 on information disclosure of ownership interests in other entities in the preparation of management reports. However, it should be noted that IFRS 12 requires the disclosure of large amount of information and, therefore, requires a great deal of complexity, which is acceptable only for consolidated management reporting.

41. IFRS 13 "Fair Value Measurement" (defines a common approach for assessing of fair value for financial and non-financial assets, liabilities and equity instruments, and includes procedure of disclosing information about fair value measurement). If the enterprise estimates assets, liabilities and equity instruments at fair value in managerial accounting and follows other international standards, then it would be appropriate to assess the fair value according to the provisions of IAS 13. It specifies adjusted value of fair value, method of estimating the fair value (three approaches – market, cost, profitable), three levels of hierarchy of inputs used for fair value measurement and other issues.

42. IFRS for SMEs (separate standard for SMEs, which is based on all other standards and contains all the issues of recognition, evaluation and information disclosures in the financial statements). If the enterprise belongs to non-public enterprises, which debt securities or capital instruments are not traded on a public market, or it is not in the process of issuance of such instruments for trading on the public market; or if the enterprise does not hold assets of large group of strangers for safekeeping (assuming that such keeping is one of the means of its activities), then these enterprises can consider this standard as a basis for the conduction not only financial, but also managerial accounting, and constructing managerial reporting.

The conducted analyses of direcrions of usage of IFSR shows, that principles and separate statements of these standards may be used by enterprises for the preparation of financial reporting as well as in the capacity of the basis of formation of managerial accounting policy for management accounting and disclosure of information about the activity of the enterprise in management reporting. It gives indisputable advantages and opportunities to transactors during the decision making concerning usage of principles of international standards, choosing methods and approaches to evaluation of accounting objects, their classification, construction of internal, management business-models. At the same time, following the concept under IFRS management approach in the preparation of internal (managerial) reporting, which is under constant supervision and analysis of top management, the enterprise is able to generate the necessary information for forecasting revenue prospects of future cash flows, financial performance and results of the enterprise, and also evaluate the nature and extent of risks to which the company is exposed at the end of the reporting period. As a result, it will avoid erroneous administrative decisions and will choose the way of effective asset management and other accounting objects, as well as business processes.

Conclusions

Managerial accounting is an important part of the enterprise management system that provides the necessary information for the management about task planning, analysis, control and motivation of different segments of the entity, including tasks on finding the optimal ratio of income and expenditure for the whole enterprise and on its individual departments to improve their effectiveness.

Construction of managerial information systems –management accounting system, based on the principles of IFRS, will allow entities, on the basis of comparison of the following international standards on different assessment methods and accounting approaches, to choose the most appropriate one for the purpose of solving problems and making effective managerial decisions that can carry retrospective, operational and long-term character, and that are aimed to identify and mobilize reserves, to increase the efficiency of financial and business enterprises, business development, to improve the financial condition and maximize profits of the enterprise.

The feasibility of usage of IFRS in management of the enterprise is indisputable, because it provides an opportunity to define the basic approach to the recognition of income and exercising and evaluation of expenses. It also enables entities to have diverse and objective information about financial and economic results and main activities of the enterprise. Basing on management reports, prepared in accordance with IFRS, management will be able to make appropriate managerial decisions, forecast future activities, evaluate business activity and economic benefits, control risks of possible losses in the future. This is a kind of innovation for effective financial management, planning, analysis and control of the activity of the enterprise.

Thus, in order to make better managerial decisions by the management of the enterprise, to conduct effective financial management, to make accurate assessment of assets and liabilities, to improve the efficiency of asset use and the enterprise's performance, as well as to make unification of financial and managerial accounting, it is reasonable for those enterprises, which prepare financial statements in accordance with IFRS, to apply unified standards, such as International Financial Reporting Standards, for conducting of financial and managerial accounting and preparation of financial and managerial reporting.

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