

## РОЗДІЛ 8

# БУХГАЛТЕРСЬКИЙ ОБЛІК, АНАЛІЗ ТА АУДИТ

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### INFORMATIONAL SUPPORT FOR THE ANALYSIS OF FINANCIAL PERFORMANCE IN UKRAINE AND JORDAN: COMPARATIVE ANALYSIS

The issues of informational support for the analysis of financial performance in Ukraine and Jordan are studied in the research paper, the Ukrainian and Jordanian experience in organizing the process of analysing financial performance and providing it with information is compared. It is determined that the wide spreading of the international standards of financial reporting in the practice of Jordanian enterprises contributes, on the one hand, to a more complete provision of management of enterprises and other interested parties with information on the performance of the enterprise and, on the other hand, it is more convenient from the point of view of providing the process of analysis with the standardized accounting system of analysis, structured and tested in the world practice.

**Keywords:** analysis, accounting, company, informational support, international standards, financial performance, financial reporting, Ukraine, Jordan.

**Problem statement.** Accounting standards objectively find out important issues of accounting and analytical practices associated with the recognition of events and transactions, their measurement (assessment) and presentation of financial statements, as well as with indication of additional information in the notes and explanations [1, p. 117-118; 7]. A key aspect of effectiveness of the analysis of financial performance is its stable and complete provision with information in the required amount. The problem here is not only the lack of objective and up-to-date information for analysis, but also its excess, which reduces the flexibility and efficiency of decision-making [16], takes an extra time to process data that are unimportant or of limited importance to qualitative analysis.

The application of international standards requires some practical decisions, as well as the use of certain procedures that will allow making high-quality data processing for analyzing financial statements [8]. The main problem is the inclusion of some processes for collecting and processing information from employees of different departments, including management, sales, human resources management, as well as technical departments, within a certain effective system of information support for the analysis of financial performance.

These circumstances, along with the need to establish key areas of the development of informational support for accounting and analytical activities and accounting practices in Ukraine based on the world experience, determined the topicality of the subject of this scientific paper, outlined its objective and scientific tasks to be addressed in the process of achieving this objective.

**Analysis of recent research.** The range of problems of informational support for accounting and analysis of companies' financial performance is the subject of research in the works of a wide range of foreign researchers such as K. Ward, S. Kaplan, D. Norton and others. At the same time, the mentioned problem is also very actively covered in the writings of Ukrainian authors, in particular, N.Ye. Bilynska, F.F. Butynets, M.A. Vakhrushyna, N.V. Valieb-nikova, S.F. Holov, Ye.V. Kaliuha, V.M. Kosti-

uchenko, H.H. Kireitsev, I.I. Pylypenko, V.M. Parkhomenko, A.A. Pylypenko, O.Yu. Redko, P.L. Suk, V.A. Terekhova, O.H. Chepets, A.N. Shchemeleva, N.Z. Yatsyshyn. The works devoted to the harmonization of methodology and practice of accounting and analytical activity in Ukraine with international standards [3; 5; 6; 13], improvement of informational support of functioning and development of domestic business with the help of modern theoretical and methodological groundwork of the world experience [2; 12] are particularly important for qualitative coverage of issues raised in this research paper.

This research paper provides for a comparative analysis of the systems of financial performance analysis of Ukraine and the country that actively uses international financial reporting standards in corporate practice - Jordan. A specific field that is the subject of comparison is the informational support of analytical activity of companies, which is an important aspect of an effective assessment of the performance of these companies. In this context, it is reasonable to use the opportunities offered by the comparative analysis tools of the accounting and analytical systems of Ukraine and Jordan, where the international financial reporting standards are implemented and actively used.

In view of the above, **this research paper aims** at characterizing the problems and determining the directions of the development of informational support for the financial performance analysis in the corporate reporting system of Ukrainian companies on the basis of comparing the experience of informational support for the financial performance analysis of Ukrainian and Jordanian companies.

The achievement of this goal is related to solving the problems of comparative analysis of the use of standards in the accounting and analytical practice of enterprises of Ukraine and Jordan, as well as determining the directions of the development of informational support for the financial performance analysis of the corporate reporting system of Ukrainian companies on the basis of the carried out comparison.

**Presentation of the main research material.** In world practice there are two basic approaches

to the organization of accounting and analysis of financial performance of companies [8; 10]:

- Continental type (Germany, France, Austria, Belgium, Spain, Italy, Switzerland, Scandinavian countries, Poland, Czech Republic, Hungary, Japan, etc.);
- Anglo-Saxon type (in the UK, USA, Canada, Australia, New Zealand, partly in the Netherlands).

The continental type is characterized by the use of a legal approach, ensuring security, taking into account the interests of creditors as the main priorities of accounting and analytical activity. The Anglo-Saxon type is more oriented towards an economic approach, capital markets and investor needs. The continental type requires the most comprehensive use of opportunities to avoid risks, while the Anglo-Saxon one considers the problem of riskiness more openly and freely trying to quantify it and take it into account.

International Accounting Standards (IFRS), which have been declared as priority ones to be introduced in Ukrainian accounting and analysis of financial performance of companies [8; 10], and which are widely used in Jordanian business practices [15], rely on the conceptual basis of the continental accounting system. According to these standards, market and credit organizations prefer the stability of economic activity, based on a detailed codification of accounting law in relation to the principles, methods and approaches to accounting and analysis, the priority of facts, ensuring conservatism and prudence, close link of balance law with tax legislation, etc.

International standards in the accounting and analytical practice of companies are based on the principle of the superiority of content over the legal form [5], that is, in certain situations, the financial statements should reflect the real economic situation, rather than data derived from legal or accounting documents. In this regard, the information presented in corporate reporting is primarily intended in international practice for capital providers such as stock market investors, potential investors, lenders (banks), and other similar entities, such as investment funds.

On the basis of this information and tools, which together with it make up a system of informational support companies' financial performance analysis, the analysis of financial performance itself is carried out. Thus, corporate reporting is being prepared in such a way as to satisfy as fully as possible the needs of a wide range of users who analyze it and use it to justify and make managerial decisions [11].

International standards in a number of cases require judgments and assessments, which can often be made only by persons with special knowledge of the functioning of companies or the resources used. For example, it is difficult for an accountant to give an independent assessment of the fact that parts of a particular machine have a different useful life and require regular replacement (combined approach), or what is the lifetime of certain plants/machines and what is their residual value (depreciation component), what is the forecast of sales and their changes, which fields should be considered as business elements generating cash flows (estimates of value for money), which fixed assets are intended for sale, and what is the fair value of their derivative financial instruments, the degree of implementation of a specific contract/agreement, etc...

Taking the above into consideration, it is often necessary to establish top-down cooperation mechanisms for qualitative analysis of financial reporting, including identifying individuals or positions that are required to pass on the necessary information.

When applying international standards, it is also useful to prepare an accounting policy that will point to certain methods and procedures adopted by the organization [4]. In many areas, IFRS have limited the freedom to choose specific solutions through the introduction of certain procedures, for example, the rules for identifying group-level loan defaults to verify these items for depreciation. This leads to the need to take into account the accounting policies, in particular the flow of information between different departments, along with the identification of the persons/positions responsible for providing information in the field of accounting, or the procedure for determining materiality.

Considering a specific international standard from the standpoint of the need for informational support to ensure its effective implementation, let's refer to IFRS 8 Operating Segments, which provides detailed guidance on accounting and analysis of operating segments combined with the formation of reporting segments [9].

The disclosure principle, as defined in IFRS 8, requires the company to disclose "...information that enables users of financial statements to assess the nature and financial implications of the types of economic activities... and the economic conditions determined by this activity", hence – for the analysis of the company's financial performance [9].

- General information on how to establish operational segments and types of products and services that ensure revenue generation from individual segments;

- Information about the financial performance of each segment, including the indicated income and expenses included in the profit or loss on a segment, segment assets and liabilities of separate segments and the principles of their estimation;

- Agreed amount of individual revenues in the segment, profit or loss, assets, liabilities and data on other items, materials for the relevant items of the company's financial statements.

Business entities are also required to disclose certain information relating to the company as a whole, even if the company has only one reporting segment. This involves providing information about each product and service or their groups.

It is also necessary to analyze the income and certain non-current assets by the geographical areas, there are expanded disclosure requirements for income/assets (if the size is important) of individual countries, regardless of the distribution of operating segments.

The standard introduces a requirement to disclose information about transactions with large customers. If the revenue from operations with an external customer is at least 10%, the amount of revenue achieved in the transactions with the customer and the segment or segments in which they are shown should be disclosed. At the same time, the entity should not disclose the customer's name or the amount of revenue from transactions with the customer in the relevant segments.

Thus, there are rather clear requirements in the international financial reporting standards and certain principles are laid down that are important for the formation of an effective informational support system for the analysis of financial performance of companies, which is illustrated by the example of IFRS 8.

The use of the experience of specific countries is interesting for determining the prerequisites for improving the efficiency of accounting and analytical activities in the area of income and expenditure

management of Ukrainian companies. One of the countries is Jordan, where, at the state level, international financial reporting standards are identified by the main and official standards.

The specified country has its own special zones on its territory with the simplified taxation and business practices; in this regard, the accounting and analytical activities of companies in this country should be as convenient and unified as possible with the activities of foreign companies and the practice of investors and owners who have chosen Jordan as a country of formal basing of own business. That is why selection of IFRS by the Jordanian government as a basis for accounting and analytical practices is well-founded, reasonable and, as practice shows, an effective step. The Companies Act requires the companies of all forms of ownership operating in Jordan to comply with internationally recognized accounting principles and standards, regardless of their securities quoted or not quoted in the securities market (as opposed to the EU). Consequently, all companies in Jordan are required to comply with the requirements of IFRS. For Jordan's small and medium-sized businesses there are no special rules regarding IFRS [14].

According to Jordan's Companies Act No. 22 dated 1997, public companies, general partnerships, limited partnerships, limited liability companies, private joint-stock companies and foreign companies operating in Jordan are required to prepare annual audited financial statements in accordance with IFRS [14; 15].

Comparing the progress in the implementation of Jordan's international accounting and reporting standards with domestic experience, it should be noted that despite the announced introduction of IFRS in the domestic practice of accounting in 1998, almost simultaneously with Jordan, to date the international standards have hardly become widely used in Ukrainian accounting and analytical practice so far, which is due to a number of problems, first of all, the problems of inconsistency of regulatory base and the reluctance of government officials in intensifying the spread of new reporting standards.

In Jordan, the implementation and operation of IFRS in the country is governed by a single law and regulations subordinate to it. In Ukraine, in particular, Art. 12-1 of the Law "On Accounting" states: "...for the formation of financial statements it is necessary to apply international standards if they do not contradict this Law and are posted on the website of the Ministry of Finance of Ukraine".

The content of Ukrainian standards was formed by the influence of the features of accounting, control, analysis and informational support of the analysis of financial reporting in domestic legislation and practice. The differences lie in form and presentation, and to a much lesser extent, in the content of the basic provisions of the Jordanian and Ukrainian methodologies of accounting and analytical activity. In this context, international standards not only represent the accumulated experience of different countries, including Jordan, but also affect the development of the Ukrainian accounting system, complementing its with advanced foreign experience, which necessitates the harmonization of the Ukrainian national regulatory framework.

The experience of analyzing the financial performance of Jordanian companies with the involvement of the auditor as a (relatively) independent figure in the analytical process may be interesting for Ukrainian practice: under the Jordanian law, auditors are

elected for one year with the possibility of prolongation. This allows ensuring a professional approach to the reporting process through the mandatory need to provide this process by qualified auditors [15]. The auditor's activities are assessed and controlled by the shareholders of the company, who at the annual general meeting decide on the appointment of a new auditor or the renewal of the current authority.

For Ukraine, the experience of using Jordan's international financial reporting standards, being an important element in ensuring the completeness, objectivity and relevance of information for the preparation of analytical reports based on the performance of companies, is particularly valuable because of the need to ensure and enhance the openness of the economy for foreign investors in Ukraine. And the information derived from the financial statements of enterprises is in this sense a key element by which potential investors have the opportunity to evaluate domestic companies in terms of their investment potential and real value. The information transparency and user-friendliness provided by the wide spread of IFRS, as demonstrated by Jordan's experience, is also extremely important in ensuring the competitiveness of Ukrainian companies in the international business environment, and therefore as a prerequisite for the country's economic growth, prosperity and raising the living standards of its citizens.

#### **Conclusions and perspectives of further research.**

The research paper focuses on the possibility of using world experience in the widespread introduction of international standards in the accounting and analytical practice of Ukrainian companies, following the example of the successful experience of Jordan, a country that has implemented and actively uses financial reporting international standards in corporate practice and uses it as a competitive advantage in attracting foreign investors, for whom transparency, standardization and availability of information on the activities of companies are important. The basic research tool of the study was a comparative analysis of the accounting and analytical systems of Ukraine and Jordan.

Particular attention should be paid to the need to find ways to provide specialists of domestic companies in the fullest possible extent with the objective, complete and timely receipt of information for the implementation of qualitative and analysis of financial performance for, taking into account domestic specifics, which is not denied by the introduction of international standards, that in general determine the principological and methodological basis, with the possibility to supplement it with the domestic substantiated groundwork.

As a result of the comparative analysis, it was determined that the preconditions for activation of the process of spreading IFRS in Ukraine are laid down in identifying and realizing the key benefits of applying IFRS in the practice of companies and recognizing these advantages at the state level and at the level of individual companies. First of all, such advantages are the high potential for creation of additional opportunities in the process of application of IFRS for increasing the efficiency of business; one of such opportunities for Ukrainian business and the country is ensuring information transparency, promptness of obtaining information being understandable for users, usability for foreign investors, that is provided by the widespread adoption of IFRS, as demonstrated by the experience of Jordan.

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## ІНФОРМАЦІЙНЕ ЗАБЕЗПЕЧЕННЯ АНАЛІЗУ ФІНАНСОВИХ РЕЗУЛЬТАТІВ В УКРАЇНІ ТА ЙОРДАНІЇ: ПОРІВНЯЛЬНИЙ АНАЛІЗ

### Резюме

У статті актуалізовано та досліджено проблеми інформаційного забезпечення аналізу фінансових результатів в Україні та Йорданії, здійснено порівняння українського та йорданського досвіду організації процесу аналізу фінансових результатів та забезпечення його інформацією. Визначено, що широке розповсюдження в практиці йорданських підприємств міжнародних стандартів фінансової звітності сприяє, з одного боку, більш повноцінному забезпеченню керівництва підприємств та сторонніх осіб інформацією про результати діяльності підприємства, а з іншого – є більш зручним з точки зору забезпечення самого процесу аналізу стандартизованою обліковою, структурованою та апробованою у світовій практиці системою аналізу.

**Ключові слова:** аналіз, облік, підприємство, інформаційне забезпечення, міжнародні стандарти, фінансові результати, фінансова звітність, Україна, Йорданія.

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## ИНФОРМАЦИОННОЕ ОБЕСПЕЧЕНИЕ АНАЛИЗА ФИНАНСОВЫХ РЕЗУЛЬТАТОВ В УКРАИНЕ И ИОРДАНИИ: СРАВНИТЕЛЬНЫЙ АНАЛИЗ

### Аннотация

В статье актуализированы и исследованы проблемы информационного обеспечения анализа финансовых результатов в Украине и Иордании, проведено сравнение украинского и иорданского опыта организации процесса анализа финансовых результатов и обеспечения его информацией. Определено, что широкое распространение в практике иорданских предприятий международных стандартов финансовой отчетности способствует, с одной стороны, более полноценному обеспечению руководства предприятий и других заинтересованных лиц информацией о результатах деятельности предприятия, а с другой – является более удобным с точки зрения обеспечения самого процесса анализа стандартизированной учетной, структурированной и апробированной в мировой практике системой анализа.

**Ключевые слова:** анализ, учет, предприятие, информационное обеспечение, международные стандарты, финансовые результаты, финансовая отчетность, Украина, Иордания.