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**FORMATION OF INFORMATION FLOWS ON FINANCIAL
PERFORMANCE THAT ADDRESS THE NEEDS
OF MANAGEMENT SYSTEM**

The article reviews the approaches to determine and interpret the concept of financial performance. The need to form an information data environment has been specified and the model of management information support system for the financial performance data with its step-by-step implementation has been offered.

Keywords: information; financial performance; management system; financial reporting; information flows.

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**ФОРМУВАННЯ ІНФОРМАЦІЙНИХ ПОТОКІВ
ПРО ФІНАНСОВІ РЕЗУЛЬТАТИ ДІЯЛЬНОСТІ
ДЛЯ ПОТРЕБ СИСТЕМИ УПРАВЛІННЯ**

У статті розглянуто підходи до визначення і трактування поняття «фінансові результати». Встановлено необхідність формування інформаційного середовища даних та запропоновано модель інформаційного забезпечення системи управління даними про фінансові результати з поетапною її реалізацією.

Ключові слова: інформація; фінансові результати; система управління; фінансова звітність; інформаційні потоки.

Рис. 4. Табл. 1. Літ. 11.

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**ФОРМИРОВАНИЕ ИНФОРМАЦИОННЫХ ПОТОКОВ
О ФИНАНСОВЫХ РЕЗУЛЬТАТАХ ДЕЯТЕЛЬНОСТИ
ДЛЯ НУЖД СИСТЕМЫ УПРАВЛЕНИЯ**

В статье рассмотрены подходы к определению и трактовке понятия «финансовые результаты». Установлена необходимость формирования информационной среды данных и предложена модель информационного обеспечения системы управления данными о финансовых результатах с поэтапной ее реализацией.

Ключевые слова: информация; финансовые результаты; система управления; финансовая отчетность; информационные потоки.

Problem statement. Current tendencies of national economy development under the conditions of uncertain political situation in the country impose immediate requirement to any enterprise not only to maximize the transparency of its activity, but to increase the investors' interest. It is evident that under the overwhelming corruption in all sectors of the economy there is an objective necessity of the formation and development of such information support of the user, which would provide important data concerning the effectiveness of the enterprise extremely clearly, transparently and thoroughly. In this context, study of the information environment on enterprise's financial performance is exceedingly important.

Latest researches and publications analysis. Determination of the essence and the order of financial outcomes formation were analyzed in the works of such

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researchers as I. Blank (2007), L. Dikan and O. Voronina (2008), L. Esmanova (2007), S. Kucherkova (2005), N. Utkina (2007). V. Gavlovskiy et al. (2003), O. Gadomskiy (2006), L. Kindratska (2011), P. Kurmaiev (2010), N. Nyzhnyk and G. Lelikov (1998), V. Panteleiev (2008) who explored the problem of information support of analytical work at an enterprise and organization of accounting and analytical systems.

Unresolved issues. At present businesses lack support with the data on financial performance of all interested groups of users at every stage in the process of economic activity.

The purpose of the study is to reason the necessity to form the data information environment on financial outcomes through the study of the essence and contents of such concept as "financial performance" and the need for users to have up-to-date information.

Key research findings. Information support is based on full and complete understanding of the nature of categories which are used for managerial decisions. Therefore, it is important to clarify the nature of the their origin, essence and content.

L.V. Dikan and O.O. Voronina (2008: 21) in their studies review financial performance in general economic content and interpret it as a qualitative characteristic of financial and economic activity of an enterprise, which generally represents the outcomes of economic relations and, in particular, reflects the importance and sustainable development of an enterprise (in terms of received income), influence on its financial and economic activity of external factors (in terms of structure and amount of expenses) and it is summarized quantitatively as income (losses), changes of equity and its particular components.

The mentioned above authors identify 3 approaches to the determination of the essence and contents of the definition of financial performance and indicate the purpose of its determination:

- Economic approach is the representation of the present profit of invested capital use.
- Accounting approach ensures correct income taxation.
- Managerial approach is an estimation of general enterprise management efficiency (Dikan and Voronina, 2008: 15).

Each of these approaches reflects the order of formation and estimation of efficiency of invested capital or enterprise management. However, in our opinion, the purpose of accounting approach is not fully accomplished with mere calculation of income before taxation. In accounting, determination of financial performance provides information on enterprise activity outcomes which is used by directors, managers, investors and creditors to make good decisions. Therefore, we offer to interpret accounting approach for the determination of the financial performance contents as actual recording and comparison of income and expenses for forming financial outcomes for the reporting period. This interpretation will meet not only the principle of accrual accounting and accordance of income and expenses, but it will define financial performance as the object of taxation.

Managerial approach is not limited by determining the effectiveness of general enterprise management. It should reflect the estimation of the activity of particular structural subdivisions at the enterprise and, in some cases, products or activity

trends. Therefore, we define managerial approach to the determination of essence and content of financial performance as estimation of management effectiveness within structural subdivisions, types of products and enterprise as a whole.

These approaches to determination of the general essence of the concept of financial performance are characterized both by the order of their definition and by the source of their origin. We summarize the definition of this category by the results of the research literature review (Table 1).

Table 1. Financial performance interpretation within different approaches, made by the authors

Approaches	Interpretation
Economic approach	<ul style="list-style-type: none"> - final result of activity; - basic outcome and the reason of enterprise activity; - economic result; - income on economic resources; - increment in net assets; - remuneration provided to the owners of production factors; - changes in equity during the period; - value added from operating activities
Managerial approach	<ul style="list-style-type: none"> - final result of economic and financial activity; - difference between marginal income and fixed costs; - purpose of business transactions and business activity of the enterprise
Accounting approach	<ul style="list-style-type: none"> - balance after payment made to all owners of production factors; - difference between profit received from the sale of products and opportunity costs; - profit without gross input to attract resources considering their opportunity cost; - income and expense comparison for reporting period (profit, loss, zero result); - calculating taxable income

Thus, the concept of financial performance is multifaceted and understanding of its essence is formed not only by calculation of this index, but also by the content, purpose and needs which users would like to address.

Our study of defining the content and the essence of the financial performance concept allows to provide the following definition: financial performance is an accounting category, which is based on the comparison of income and expense for the reporting period to get the derivative values (profit, loss, zero result) which characterize the effectiveness of enterprise activity. Offered definition reflects the content of this concept, its essence, not only the form appeared in a result of this comparison. We believe that the identification of such concepts as financial performance, income and loss is mistaken, because it is just due to the formation of financial performance, the following concepts – profit, loss and zero result appear by comparing income and expenses.

Financial performance is a forming index that includes the opportunity to get both profit and loss in the context of specific types of realized activity and in the sum it is a definitive final result, with profit or loss. It can be displayed as in Figure 1.

Segment AA1 is the set of results from realized kinds of financial and economic activity of the enterprise that may get into the zone of profits (positive result of the segment OA1), into the zone of losses (negative result of the segment AO) and reach the equilibrium position at point O as a zero result from realized activity. In general, the sum of obtained results will be the financial outcome from the ordinary activity before taxation (profit/loss).

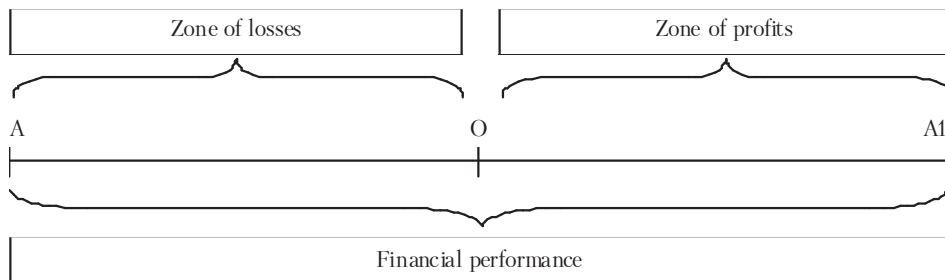


Figure 1. Structure of financial performance, developed by the authors

It is necessary to note that the category of financial performance itself is not the index of effectiveness, it serves as a generalizing category. Indices of effectiveness are calculated by the result of category formation.

In our view, the economic approach describes the concept of financial performance from the standpoint of economic category which explains the nature of the origin and the direction of use. Accounting approach explains the order of actual calculation and display. The implementation of economic and accounting approaches is based on effective management decisions, the estimation of which from the position of the obtained results is determined by the managerial approach. So, essentially financial performance revealed through economic activity of the enterprise, is measured and defined in accounting and is estimated from the standpoint of efficiency of management decision-making. Combination of these approaches provides the formation of a common information environment of data on financial performance.

It is necessary to provide managers with information that will have impact on making decision for the operation of enterprise management system. Therefore, it is important to create and ground such information environment that would combine all the components: theoretical grounds, accounting support and analysis. Each component complements one another and their relationship allows generating the amount of information which will give complete characteristic of enterprise's results. Information environment on financial results is displayed in Figure 2.

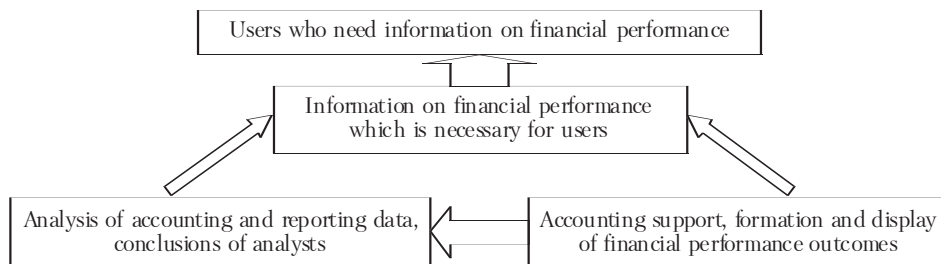


Figure 2. Information environment for financial performance data, developed by the authors

Information environment is formed by 3 main components: information on financial performance which is needed for users, calculation of financial outcomes and analysis which ensures the realization of the main purpose that is to provide information needed for making reasonable economic decisions.

Coordinated cooperation of all components will make information environment of data on financial performance. That is why our research is directed at studying accounting of financial outcomes and opportunity of using these data within analytical researches to meet information needs of management system.

Management system at an enterprise primarily takes into account the accounting data on the status of assets, capital, liabilities and overall enterprise performance while making economic decisions.

Management decisions on enterprise activity are taken at two levels: macroeconomic and microeconomic. Users of macroeconomic level are investors who decide to invest resources; creditors as for loans and financing the enterprise activity; state that forms the indices of macroeconomic efficiency, statistic data and directions of sectors management; fiscal authorities. Microeconomic level is managerial staff at an enterprise and owners who determine the enterprise strategy. Each of the levels has its own characteristics which are expressed by purpose users, accessibility of information resources, interest and levels of regulation.

In both cases, the main source of information is accounting data and financial reporting. In this regard L.M. Kindratska (2011: 176) notes, "that it is important to emphasize the existence of a large number of users with different interests. This allows us consider reporting information as a kind of accounting and economic goods that is produced to provide demand for information".

Importance of accounting and reporting is significantly increased because of raised requirements to reporting information that is primarily caused by change of information targeting and growth of users' amount that make investment and management decisions.

Effectiveness of economic activity, as financial performance is one of the directions of estimation of the enterprise activity at both macroeconomic and microeconomic levels. External users can judge about formation and obtained financial outcomes by the reporting form No.2 "Report on aggregate income (Report on financial performance)". Internal users, in addition to the mentioned form, can use current accounting information that appears on the results of performed economic operations.

Accounting support for information display on financial performance is provided by information flows that occur at all stages of financial outcomes formation. Scheme of information flows which determine the amount of financial outcomes (net profit/loss, zero result) of the enterprise is shown in Figure 3.

Formation of financial outcomes begins with of economic transactions of the enterprise (data of operation recording), results formation of the main enterprise activity (data of management recording) and determination of net profit/loss, zero result and making of form No. 2 "Record on aggregate income (Report on financial performance)" (data of financial recording). Each level of information flow is characterized by relevant indices of effectiveness and users who need them.

At the level of operational recording, expenses arise as a result of operations (production, sales and management) and income accrued from products sale (goods and services). At the level of management recording, the formation of production cost price and general economic costs are taken place. Determination of gross profit, sales income and the results of individual business subdivisions' activity become possible. Showing income and losses at the accounts and registers of financial recording

by the data of which the profit/loss or zero result is determined and the form No.2 "Report on aggregate income (Report on financial performance)" is filled.

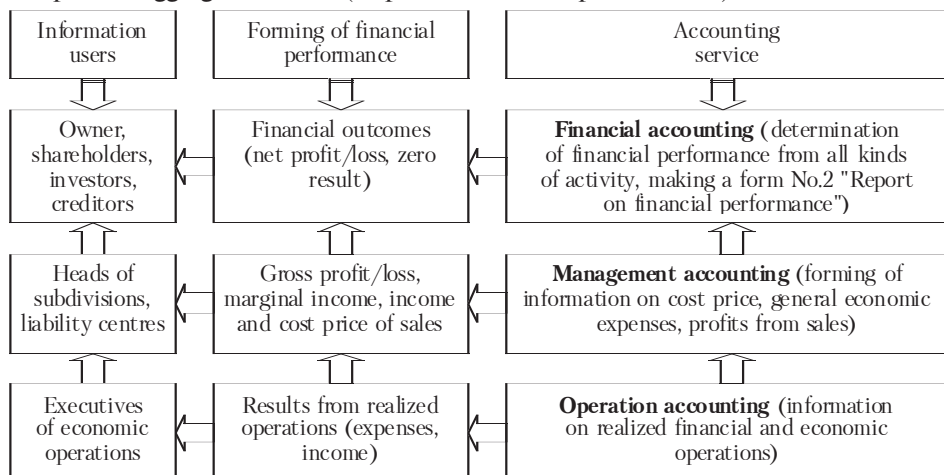


Figure 3. Directions of information sources for the enterprise financial performance formation, developed by the authors

Formation of information flow on financial performance is provided by understanding the essence of this concept, reflection in the recording and implementation of appropriate analytical processing. Combination and coordination of the purpose and objectives of all 3 approaches provides users with information on financial performance which will be aimed at making well-grounded management decisions.

In this context, V.P. Panteleiev (2008: 158) indicates that information support is a purposeful work on information accumulation, registration, transfer, processing, compilation, storage and search by control subjects with the aim of its use for management.

In terms of economy virtualization and rapid development of computer technology, traditional approaches to information support for management activity are not sufficiently effective.

Information support for effective financial and economic activity does not comply with the present demands manifested in closed information on enterprises, efficiency of its provision, meeting information needs of users, which causes difficulty in attracting financial resources, investments etc.

The current model of information support should include not only the implementation of particular operations in data accumulation and accounting, but above all, transformation of information into intellectual products.

We offer the model of providing management activity with the data on financial performance in order to improve the effectiveness of implementation of accounting and analytical procedures during the process of analysing financial results.

The purpose of this information support model is based on providing users with the data on financial results which ensure preparation and making substantiated and effective management decisions.

We propose to define the model of support of management activity with the data on financial performance as a set of tools and techniques inherent to individual ele-

ments of its logical structure, which ensure the process of collecting, recording and processing of information at the accounting stage, examination during internal control, as well as analysis, planning, and forecasting at the stage of analytical work in order to provide users with accurate and unbiased information on the activities' results.

The model of information support should take into account the heterogeneity of the process of managerial decision-making and the specificity of work of officials of all categories (Nyzhnyk and Lelikov, 1998) to perform these basic functions. For this it has to provide:

- collecting, processing, structurization, storing and accumulation of data on financial performance;
- comprehensive analysis using mathematical methods and modern information technologies, receiving aggregated current and expected estimation of indices dynamics that characterize financial outcomes.

Using the scientific approach (Kurmaiev, 2010: 58) allows viewing the model of information support in the context of the following options: structure, functional purpose and practical application. This, in turn, involves the use of 3 interrelated approaches: structural, functional and practical. This model is presented in Figure 4.

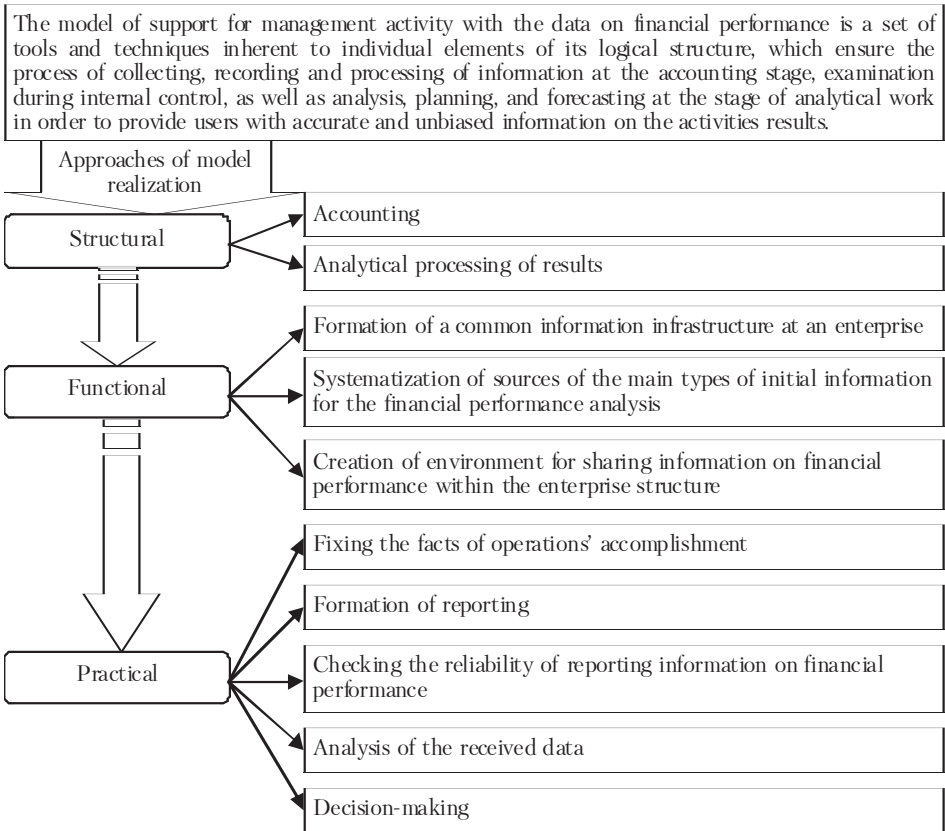


Figure 4. Model of support for management activity with the data on financial performance, developed by the author's

Application of the structural approach allows defining the basic elements of the model of information support for management activity:

- accounting;
- analytical processing of results.

Accounting component should provide formation and registration of data and be organized in a way to get necessary information on financial results at any stage of its formation. Analytical component provides a toolkit which confirms and characterizes it, which will allow management respond to negative changes on time.

Functional approach to the construction of the model of information support highlights the following key features that characterize its nature and specific focus:

1. Formation of a common information infrastructure of the enterprise.
2. Systematization of sources of the main types of initial information for the analysis of financial outcomes.
3. Creation of a common telecommunication environment for sharing information on financial performance within the system linked to the global network of information transmission (Gadomskiy, 2006: 264)

Organization of functioning of the information and analytical systems involves specifying a particular sequence of actions of its subject. In practical terms the following sequence can be specified (Gavlovskiy, 2003: 99):

- formalization of a model;
- development of a model of automated (computer) information system;
- designing of a single system based on the use of computers.

Practical approach provides the implementation of 5 consecutive stages, in which information on activity results is gone through: fixing the facts of operations' realizing, formation of reporting, checking the reliability of reported information on financial results, analysis of received data and decision-making.

We included to this structure a checking stage at the level of internal control where accounting information, given to analytical department and to the head of the enterprise on its overall performance will be verified. The necessity for inclusion of internal control stage while forming the information on financial performance is caused by the need to provide qualitative information with such main dimensions as relevance, reliability and validity.

The analysis of financial performance is carried out at the end of the reporting period according to the data of financial reporting, which, in turn, is made by accounting service on the basis of accounting data.

Conclusions. The performed here research on the information support with the data on financial performance let us make the conclusion that the current system does not fully satisfy their needs. The implementation of the offered model of information support of management activity as to financial performance will allow managerial staff receive data on activity outcomes at all stages of their formation.

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