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Financial Reporting for Statistical Analysis of Enterprises Performance

Analysis of statistical support and statistical information on the financial performance at enterprise level is of great importance in a market-based economy, as performance enhancement and stable income growth at enterprises is an imperative for country development.

The aim of the study is theoretical rethinking of the notion "financial reporting" and quality evaluation of the relevant information base, which is necessary for conducting financial analysis and making up financial indicators.

A new interpretation of the notion "financial reporting" in a narrow and broader sense is given in the context of transition to international standards of financial reporting. The link between quality of constructed statistical indexes of the enterprise performance and information obtained from financial statements of enterprises is substantiated.

The necessity of adopting international standards of financial reporting by Ukrainian enterprises, which would enable for constructing robust statistical indexes for purposes of analysis and forecasting, is shown.

Keywords: *financial reporting, international standards of financial accounts, the system of statistic indexes, financial activity of the enterprise.*

Literature analysis and problem setting. The quality of statistical analysis of a company depends on one's knowledge of methods for calculation, grouping and evaluation of statistical indicators. This information can be extracted from accounting and financial reporting of a company. Yet, there is a need for clarification of the notion "financial reporting" and assessment of quality of the knowledge base required for financial analysis and production of finance indicators.

Financial Reporting is a system of generalized and related economic indicators of current accounting which characterize the company performance in a reporting period. According to legal documents, financial reporting is divided into: reporting as of a date (balance sheet) and reporting for a period (e.g., profit and loss account, cash flow statement, etc) [1, 2].

The aim of the study is theoretical substantiation of the notion "financial reporting" and quality evaluation of the information base required to perform financial analysis and produce financial indicators.

Results. Users of financial statements may be the natural persons or legal entities who need information on financial and economic activities of the company in order to make their decisions. These persons are owners or founders of companies, labor groups in these companies, official statistics bodies and other government offices and users under the law. Financial reporting allows users to compare the company finance reports for different periods and financial statements of different companies.

Financial reporting is formed as a result of accounting procedures and represents structured information about the company in form of reports. According to the Rule (Standard) of Accounting 1, "General Requirements to Financial Statements" (with amendments, the latest ones being made by the Order of the Ukrainian Ministry of Finance on March 18, 2011, No 1372), financial reporting comprises a balance sheet, profit and loss statement, cash flow statement, equity statement, notes to the annual financial reporting [1, 2].

The purpose of financial reporting is to provide users with complete, true and unbiased information about the financial situation, profit and loss, and cash flow of a company for their decision on acquisition, sale and possession of securities, participation in equity of the company, evaluation of quality of management and ability to timely perform its commitments, a security for commitments of the company, determine the amount of dividends for distribution, make regulations of the company activities. This information must be clear, have unambiguous interpretation and be credible [8].

On the basis of financial statements the system of statistical indicators is formed, i.e. the latter is a list of parameters and characteristics of the financial situation of a company being the result of its economic activities and submitted by the respondents in form of reports which regularly form a single complex [7]. The development of the system of statistical indicators of financial reporting enables to:

- characterize the composition and structure of the basic parameters of activities of a company;
- conduct financial analysis of various companies based on compared indicators;
- analyze activities of companies in certain categories: operational, financial, activities caused by ordinary and extraordinary events;
- compare company performance at unit level;
- characterize enterprises by type of economic activities;
- make financial analysis of various forms of ownership, organizational and legal forms of business;
- analyze key indicators of the financial performance of a company.

The scorecards of financial reporting changes over the time as the companies' business statistics indicators are improved. Formation of current finance indicators of companies happened gradually. Thus, the Framework for Building up National Statistics in Ukraine and the State Program for Transition to the International Accounting and Statistics System adopted in 1993 did not deal with the problems of business statistics, due to underdeveloped enterprising practices and activities at that time in Ukraine [7].

The system of indicators for statistical study of the financial and economic performance of companies in Ukraine and the economy in general was one of the main objects of the Program on Reforming Official Statistics in Ukraine till 2002, which provided for their improvement in order to properly reflect changes in the society and the economy, and create the official statistical information base. Later, in course of implementation of the Strategy of Development of Official Statistics till 2008, business statistics could be improved by strengthening the elements of statistical infrastructure, development of an integrated database of companies and launch of individual surveys in companies, improvement of financial performance indicators at company level. However, the existing system of statistical indicators for monitoring of business activities and the mechanism of its practical application by users remained imperfect.

The system of indicators for statistical measurement of financial activities of companies should meet the needs of all users of statistical information for reliable data, including public officials, managers, potential investors, company personnel, researchers and broader public. The system of indicators should cover all key processes reflecting socio-economic conditions and trends in a market economy, enhance practical significance and analytical value of statistical information for political decision making [6].

Thus, the purpose of the Strategy of Development of the Official Statistics till 2012 is in creating conditions for further development of the official statistics system and supplying the community with the statistical information on financial and economic situation in business sector, appropriate for comprehensive analysis of the structure and the dynamics of the economy at macro level, by type of economic activities, region, type of business, and for international comparisons [3].

In this context, the need for further reforms in accounting and reporting occurs, to bring financial reporting in compliance with international standards and EU requirements.

In pursuance of the Ukrainian Cabinet of Ministers Order dated 12.10.2007 "On Approval of the Strategy of Application of International Financial Reporting Standards in Ukraine", works on improvement of business statistics and relevant methodology were launched, to bring the national standards of accounting and financial reporting in compliance with international ones.

International Financial Reporting Standards (IFRS) are currently an effective tool for enhancing the transparency and clarity of information on activities in business sector, which creates the reliable basis for measurement of profit and loss, valuation of assets and liabilities; it allows to clearly outline the existing financial risks of business enterprises and compare their performance, to ensure adequate evaluation of their capacities and make appropriate management decisions. In addition, IFRS enable business management to effectively control the organization and gain significant advantage over competitors. Entities reporting by IFRS enjoy far greater opportunities in raising additional capital and seeking for business partners, which ensures their sustained development and high profits. Also, access to information about the financial status of potential partners offers them one more effective tool for performance enhancement [9, 10].

Since statistical reporting of companies, which contains information in monetary terms, is based on the financial data, the transition to IFRS will improve the methodology of data collection in line with the changes in the accounting and financial reporting in compliance with the requirements of international standards and EU legislation.

In this regard, there are two terms: "financial statements" and "financial reporting". Financial reporting represents the totality of the information supplied to interested users (typically in form of booklets). Financial reporting is public or published statements of a company. It includes both financial statements and other information (report of board of directors, appeal of the company president, managers' analytical computations etc.). This additional information is often provided by companies on voluntary basis, being beyond international standards and audit. Financial statements are a part of financial reporting and comprise a list of financial statements and notes thereto certified by auditors. These financial statements are subject to the regulations of international standards.

In foreign practice, the Statement of Principles for Financial Reporting identifies the following categories of financial information used for making economic decisions: special purpose financial reports; general purpose financial report that include general purpose financial statements, other types of general purpose financial reports and other financial information [6].

Conclusions. Both categories of financial documents, financial statements and financial reporting, should be considered when building a system of statistical indicators for financial reporting. Only this approach will ensure the quality of statistical data, allowing producing reliable measures of business performance.

The analysis of financial statements leads to the following conclusions: (i) the quality of statistical indicators at company level depends on the information obtained from financial reporting; (ii) financial reporting, as the structured data, is based on accounting data and other information; (iii) the concept of financial statements and financial reporting is elaborated; (iv) the necessity of companies' transition to IFRS, in order to create high-quality performance indicators at company level, is proved.

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Фінансова звітність у забезпеченні статистичного аналізу діяльності підприємств

У статті уточнено та поглиблено поняття “фінансова звітність” для інформаційного забезпечення формування статистичних показників діяльності підприємств, визначено основні напрями удосконалення системи статистичних показників фінансової звітності відповідно до переходу на міжнародні стандарти фінансової звітності.

Ключові слова: фінансова звітність, Міжнародні стандарти фінансової звітності, система статистичних показників, фінансова діяльність підприємства.

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Финансовая отчетность в обеспечении статистического анализа деятельности предприятий

В статье уточнено понятие «финансовая отчетность» для информационного обеспечения формирования статистических показателей деятельности предприятий, определены основные направления совершенствования системы статистических показателей финансовой отчетности в соответствии с переходом на международные стандарты финансовой отчетности.

Ключевые слова: финансовая отчетность, Международные стандарты финансовой отчетности, система статистических показателей, финансовая деятельность предприятия.