

Dovzyk Olena

*PhD, Associate Professor of the
Accounting and Taxation Department
Sumy National Agrarian University
ORCID:0000-0001-6547-1418*

ECONOMIC GLOBALIZATION AND ITS INFLUENCE ON ACCOUNTING AND REPORTING IN UKRAINE

Abstract. *Globalization of the economic development of all aspects of modern economic activity dictates the corresponding requirements, quantitative and qualitative parameters for the Ukrainian economy. Compliance of the Ukrainian economy with world standards requires the creation of a favorable environment investment climate for domestic and foreign investors. Significant problem of the current stage of accounting development is the lack of sophistication of theoretical aspects of accounting science. The pace of the globalization has proved so significant that the accounting theory, as well as its methodology, methodology and organization, have fallen behind and do not meet the economic interests of the new structures. The development of world relations in the process of the globalization is one of the objective conditions for significant changes both in the Ukrainian accounting and reporting system and in the accounting systems of other countries. The article highlights the peculiarities of applying IFRS for enterprises in Ukraine and in the world; the evolution of the legal framework of accounting introduction in Ukraine in accordance with the international legal norms has been investigated; the processes of implementation of the IFRS in Ukraine and their implementation in modern*

conditions are investigated too; an assessment of the state of application of the IFRS and a comparison of the regulatory reporting requirements in accordance with the national and international regulations were provided; the differences between the IFRS and national financial reporting standards have been identified. A significant factor restraining the possibility of harmonization of reporting due to international standardization accounting principles and rules are unique to each individuals social environment, formation of nation accounting systems under the influence of various theoretical concepts, economic situations, information needs users of financial information, culture, national historical traditions.

Keywords: *accounting, reporting, globalization, accounting system, International Financial Reporting Standards.*

Statement of the problem. The globalization of the economy and the informatization of society affect all spheres of life and affect the development of all branches of knowledge without exception. Socio-evolutionary changes, economic-reformatory transformations, lack of concept for further development of accounting in Ukraine, crisis of modern accounting theory have caused the problem of discrepancy of theoretical and methodological support of accounting development in the socio-economic realities.

Analysis of recent researches and publications. Many domestic and foreign scientists were engaged in the studying the problem of globalization and its impact on accounting. Graham believes that the 'age of globalization' is a ubiquitous topic in academic and popular press, yet the phrase is often used without substance. If the globalization is to be useful as a theoretical construct, then detailed research is required into the concrete and specific mechanisms that constitute globalization [1].

It is worth noting that the same Müller, who is called the "father of international accounting", believed that the accounting system is a product of

economic and political development of each country. Therefore, harmonization of accounting at the international level is impossible in principle and therefore does not make sense [2].

Karasova emphasizes the globalization is seen as a transformational internationalization of world economies in the global system of international scale on the principles of openness, universality and interdependence [3].

According to Bezrukova and Svichkar , globalization is a qualitatively new stage in the development of the process of internationalization of economic, political, cultural, legal and other aspects of social life, when the interdependence of national societies has reached such the level that dramatic changes in the life of the entire community began, which gradually turns into a single holistic organism. Not only does globalization come down to the economic aspect of the life of the world society, but it also covers political, social, cultural, scientific and technical spheres and other areas. This process has ambiguous implications for various countries of the world. First of all, these are the countries of the so-called «golden billion», in which trade, cash, investment flows are concentrated and in which research activities are developing - these are the countries which profit the most from the globalization. The rest of the world should work to reduce the negative effects of the globalization process. [4].

In the 1990s, the world became unipolar with the isolation of the core of the highly developed countries and the rest of the countries that form its periphery. The core countries are mainly the countries of the Western civilization, characterized by high level of technological development, high standards of living, and form the so-called «golden billion». It is not possible for the periphery countries to reach the standard of living of the kernel countries, because of the lack of the resources of the planet. The today's world is transitional. In the face of ever-expanding economic activity, new models of development will have to be found, linked to the rejection of the unipolar world

and the current Western neoliberal model of its globalization, which will transform the unipolar world into a multipolar one for the benefit of the mankind [5].

Botvina believes globalization is leading to increased competition worldwide, causing deepening of specialization and division of labor with their inherent consequences - increased productivity and cost reductions. For domestic producers, there is no sufficient internal motivation for the use of innovations, which enables foreign competitors to use the contradictions of domestic legislation to destroy their competitors in the domestic market. In such the situation, the integration affects the destruction of entire industries, e.g. the tobacco industry. Today, Ukraine does not use all its competitive advantages (cheap labor, sufficient resources for raw materials, use of favorable geo-economic location, etc.), as the official sector of the economy is inefficient. Instead, competitors widely use high and patented technologies, stimulate the production of unique products, comprehensively engage the scientific elite, finance innovations [6, c. 31].

The greatest benefit flowing from harmonization would be the comparability of the international financial information. Such the comparability would eliminate the current misunderstandings about the reliability of foreign financial statements and would remove one of the most important impediments to the flow of the international investment. The harmonization would save time and money that are currently spent to consolidate divergent financial information when more than one set of reports is required to comply with various national laws or practices [7].

Whereas accounting standard-setting has previously been a task of national authorities, the process will now be managed internationally by a London-based organisation whose parent foundation is a private company incorporated in the US state of Delaware and mainly financed by the Big Four accounting firms [8].

However, today the subject of the globalization of accounting is relevant and needs constant research.

The task of the research is to formulate theoretical and methodological bases of the impact of the globalization on the development of the accounting system and reporting in Ukraine.

The main material. Accounting is dynamically developing, influenced by social, economic, technical and information processes. Therefore, accounting in specific organizations needs to be refined or otherwise used in the management of a particular business entity and in the country's economy. Today, there is a policy in the matter of standardization accounting in the world is determined by two centers: IAS (International Accounting Standards) – International Financial Reporting Standards (IFRS) – London office; GAAP US - generally accepted accounting principles of the USA.

In general, entities which implemented the IFRS have significant benefits in dealing with foreign partners and potential investors, especially if their financial statements are audited by a reputable audit company.

The IFRS provide single interpretation of financial statements prepared by companies in various countries. In addition, the IFRS have the significant advantage of having assets and liabilities accounting tools updated. This allows users to evaluate information according to market conditions.

The IFRS are standard in many parts of the world, including the European Union and many countries of Asia and the South America, but not in the United States. Experts suggest that the global adoption of the IFRS will save money on alternative comparative costs, as well as allow for easier flow of information.

However, different financial and legal culture in each country have created their own unique reporting system.

Integration into the world system, as well as Ukraine's accession to the WTO were impossible without modern accounting systems. Therefore, steps were taken in Ukraine to transform the accounting into the International

Financial Reporting Standards (IFRS) and to prepare financial statements in compliance with them, which was to ensure the openness and transparency of the activities of organizations of all forms of ownership.

The legal framework has been created in Ukraine to further reform the accounting of organizations under the IFRS. The analysis of the adopted normative documents confirms that the basis of the IFRS and domestic scientific solutions of the problem of accounting are more regulatory in nature and are aimed at organizing the practical side of the accounting. Most documents lack the theoretical, theoretical and methodological basis for resolving uncompromising provisions that should underpin the rational construction of the accounting system in Ukraine.

In the countries that have adopted the IFRS, both for businesses and investors, it is advantageous to use this system because investors are more eager to invest in an enterprise. In addition, the cost of investment is usually lower. The companies engaged in the international business can benefit from the IFRS most.

The globalization of economic relations influences the unification of standards and accounting rules. At the same time, requirements to the regulatory framework governing the activity of enterprises are increasing. A significant objective factor affecting the process of the accounting reform in Ukraine is of the administrative nature.

And, since 2018, all Ukrainian companies must keep accounting and prepare financial statements in accordance with the European rules. Namely, submit a so-called "management report" - a document that contains not only financial information but also other data characterizing the current state and prospects for development - to show the main risks and uncertainties in the activity of an enterprise. Only micro and small enterprises can avoid this duty.

If we analyze the rules of the Law No. 996, we can see that the criteria of size and a specific type of activity of an enterprise influence the choice of forms of financial statements (Table 1).

Table 1.

Financial statements submitted by Ukrainian enterprises

Comparative characteristic	Types of enterprises			
	Microenterprises	Small businesses	Medium-sized enterprises	Large enterprises
Forms of financial statements	Simplified financial statement of a small business entity in the Balance Sheet and the Income Statement	Small business entity's Financial Statement as a part of the Balance Sheet and the Income Statement	Financial statements included: <ul style="list-style-type: none"> • balance; • statement of financial performance; • cash flow statement; • equity report; • notes to the financial statements. Additionally the management and payments reports for the authorities (for individual companies) have been introduced.	The financial statements are prepared in accordance with the international standards: <ul style="list-style-type: none"> • balance; • statement of financial performance; • cash flow statement; • equity report; • notes to the financial statements. Additionally the management and payments reports for the authorities (for individual companies) have been introduced.

** Source: Generalized by the author*

In view of the amendments made by the Law to the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» the IFRS are used for preparation of financial statements and consolidated financial statements for enterprises of public interest, public joint-stock companies, enterprises engaged in mining activities of national importance, as well as enterprises that conduct the economic activities of the types, listed by the Cabinet of Ministers of Ukraine.

One of the main methods of preparing the IFRS financial statements is transformation. The main stages of the transformation of the IFRS financial statements are: developing the accounting policy; choice of the functional currency and presentation currency; calculation of the initial balances; developing the transformation model; assessment of the corporate structure of an enterprise; determining features of an enterprise business and gathering information needed to calculate the transformation adjustments; regrouping financial statements by the national standards to the IFRS [9].

Some panic agitation gripped the Ukrainian accountants at the turn of 2011–2012. During this period, everyone began to urgently learn, seek all sorts of information, invite consultants, and try to at least prepare for innovations. At numerous seminars, lecturers spoke about the procedure for preparing the IFRS reporting, its format, and most importantly, the possibility of an individual professional approach to the choice of accounting policy and its impact on the financial performance of a company.

Although the international standards do not strictly regulate the description of the accounting policy, it is nevertheless necessary to keep in mind: standards and interpretations governing similar or related operations; definitions, criteria for recognition and concepts of valuation of assets, liabilities, incomes and expenses; resolutions of other accounting standardization bodies that are guided by similar conceptual principles, industry standards (methodologies) and other professional literature are adopted in a non-contradictory part.

The accounting policy (within the structure of the IFRSs) is the specific principles, arrangements, rules and procedures adopted by the management of a company in preparing and presenting financial statements. Appropriate principles of the accounting policy, formalized by an entity in one or more internal documents, are of interest not only to their financial staff and representatives of the supervisory authorities. They are important to any financial statement user who intends to use the information presented therein to

make appropriate decisions.

When deciding whether to disclose information about a particular accounting policy, the management consider whether this will help users understand the transactions, other events and conditions reflected in the financial statements.

In the meantime, disclosure of specific accounting policies is particularly useful for users if such policies are selected by a company from the IFRS-approved alternatives. Although some IFRSs directly require disclosure of specific accounting policies, including the selection of management personnel from the range of policies they allow.

The main difference between the IFRS and most national financial reporting standards is that the standardization does not provide the details of all financial accounting procedures and mechanisms. Practice shows that with the use of the IFRS for the preparation of financial statements, especially in the initial steps, when there is not enough experience and analytical information and for other reasons, companies make mistakes, change (improve) accounting policies adopted, try to reclassify the items of financial statements.

Conclusions. The globalization of the world economy has led to the emergence of a number of problems associated with the further unification of accounting and financial reporting at the international level. Yes, qualitative improvement of interaction between the public and private components of the system is connected with the informational improvement of the standardization for organization of effective accounting in Ukraine.

There is a tendency in the world for an annual increase in the number of countries that use or encourage the use of the IFRS by public companies to prepare financial statements. However, such the process takes place in a particular country under the influence of economic, political, legal and cultural factors.

References

1. Graham Cameron, Neu Dean (2003) Accounting for Globalization. *Accounting Forum* 27: 449 - 471. DOI: 10.1046/j.1467-6303.2003.t01-1-00114.x
2. Flesher, Dale L. Gerhard G. Mueller: Father of International Accounting Education. Bingley (UK): Emerald Group Publishing Limited. 2010. 221 p.
3. Karasova N.A. (2015) Hlobalizatsiia svitovoho hospodarstva ta yii suchasni kharakterystyky. *Innovatsiina ekonomika*. 1(56). 28–32.
4. Bezrukova N, Svichkar V (2016) Economic globalization: an analysis of the main contradictions and consequences. *Economics and Management of National Economy*. 3 (58): 62-67.
5. Radziievska S. (2014) Hlobalni ekonomichni protsesy ta Ukraina. *Mizhnarodna ekonomichna polityka*. 1(20). 80–104. URL: http://iepjournal.com/journals/20/2014_5_Radzievska.pdf
6. Botvina N.O. (2014) Vplyv hlobalizatsiinykh ta intehratsiinykh protsesiv na ekonomichnu bezpeku Ukrainy. *Ekonomichniy analiz*. 1, 28–33.
7. Diaconu P (2007). Impact of Globalization on International Accounting Harmonization. *SSRN Electronic Journal*. <https://doi.org/10.1257/000282804322970724>
8. Nolke A (2005) Introduction to the Special Issue: The Globalization of Accounting Standards. *Business and Politics* 7(3): 1-7. DOI: <https://doi.org/10.2202/1469-3569.1140>
9. IFRS (2018) Use of IFRS standards by jurisdiction. URL: <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by>