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FORMATION OF SUBSYSTEMS OF MANAGEMENT ACCOUNTING IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Assessment of the main aspects of financial and managerial accounting subsystems; proposed solution to the issue of unification and standardization of these subsystems in accordance with International Financial Reporting Standards.

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Recent globalization trends in the world economy highlight particular importance of the issue of unification and standardization of accounting globally in development of local and international accounting standards.

Managerial accounting system as an accounting subsystem is intended to serve as the main source of financial and non-financial decision-making information for purposes of execution of decision-making and control functions of the organization. According to experts, in the economically developed countries, on average, companies spend 90% of their time and resources in the field of managerial accounting, the process of identifying, measuring, analyzing, interpreting, and communicating information in the pursuit of a company's business goals, and only 10% – on financial accounting, the process of reporting on financial results; whereas, with regards to domestic enterprises this ratio is inverse.

In order to achieve a change in this ratio in favor of management accounting certain factors must exist, including commitment of senior leaders of the organization to support the infrastructure of management accounting.

Managerial accounting is not a result of an artificial division of the integrated accounting system but instead an organic function focused on interpretation and targeted development of credible decision based financial and operational information circulating in cyber circuit, with accountant serving as a strategic partner in management decision making and formulating strategic priorities of an organization.

Maintaining accounting on two separate subsystems-financial and managerial – has a cost and, therefore, it would be cost-effective to use common principles in preparation of reporting.

In Russian practice, International Financial Reporting Standards (IFRS) are supported for application at the legislative level, as the preparation of consolidated financial statements in accordance with IFRS became mandatory a year after acknowledgment of IFRS in Russia (following publication of the standards for Russia), i.e. 2012 year.

In this regard, it is worth to highlight the main advantages provided by managerial accounting subsystem, built on principles of IFRS, including:

- 1) Establishment of single reporting framework to serve as a consistent base of information;
- 2) Enhanced comparability of financial results;
- 3) Reduction in the cost of reporting;
- 4) Enhanced analysis of various key performance indicators given consistency of information base.

The essence of the first advantage is that in addition to international recognition and worldwide use, including in Russia, international standards contain rules that are not sufficiently reflected in the Russian accounting standards (which form basis of managerial accounting):

- business combinations;
- preparation of the consolidated financial statements of the Group;
- accounting for non-controlling interests and their impact on the assets and results of the company;
- issues of asset valuation at fair value;
- sectoral aspects of accounting.

These accounting concepts have significant impact on operations of any entity and therefore must be taken into account as part of managerial reporting.

The essence of the second advantage is that in order to evaluate the performance of the company effectively information must be analyzed on comparable basis; as management accounting is prepared under a separate set of rules it is often impossible to discern whether such results are comparable. Resultantly, significant advantage is identified due to preparation of managerial accounting information on principles of IFRS in that it allows the users of the financial information to conduct an analysis of results between similar companies in the market.

The third advantage is a reduction of the cost of reporting. Currently, many Russian enterprises are faced with a situation when they need to prepare and maintain multiple types of accounting records at the same time. Accounting and tax accounting in accordance with the Russian law requires, first and foremost, for the payment of taxes. Accounting under international financial reporting standards is maintained for public submission, and management accounting prepared for purposes of internal management of the entity. Thus it is clear that the use of common principles for the external and management reporting will significantly reduce costs, and will also give the opportunity to more effectively organize the reporting process itself.

The fourth advantage provides the possibility of reconciliation between various types of key performance indicators, which remains a topical problem to owners of companies. Reporting under the Russian accounting standards (RAS) and the International Accounting Standards requires a two-step preparation and validation process in the course of the preparation of IFRS reporting, since an

assessment of differences between original basis of reporting and IFRS is necessary before arriving at IFRS reporting.

After transition to IFRS for its managerial and external reporting, the principles of the preparation of IFRS reporting and management reporting will be uniform and management will be able to obtain all necessary management information based on single source of data. Such an approach will be most expedient. This will also allow for an increase in the precision and granularity of the data and information available to management for strategic planning and execution, while at the same time a decrease in the number of procedures in preparation of financial statements in accordance with IFRS.

Literature

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