THE SIGNIFICANCE OF FINANCIAL ACCOUNTING AND REPORTING IN TODAY'S WORLD

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Abstract. *In the context of the modern market economy, the importance of accounting (financial) reporting in the management of financial resources has been studied and examined. Financial resource management (management) is the administration of a company's financial-economic activity using methods that are efficient and based on contemporary standards. This article reviews the multifaceted characteristics of utilizing financial reports in organizing effective operations of a company and in current financial management.*

Keywords: *financial reporting, financial resource management, market economy, accounting, company operations, financial management, efficient administration, contemporary standards.*

INTRODUCTION

The contemporary business environment is constantly evolving under the influence of technological progress, globalization, and changes in economic policy. At the heart of this dynamic process is financial accounting, which plays a key role in forming and interpreting information about the financial state of enterprises. In today's era, as companies strive to increase efficiency and improve the transparency of their activities, financial accounting and the relevance of reporting become integral parts of successful management.

Financial accounting serves as an essential tool for managing a company's finances. By reflecting financial transactions, accounting ensures the systematization of data and creates a basis for making informed decisions at all levels of the organization.

Reporting, in turn, acts as a mechanism for transferring the collected accounting information to interested parties, such as investors, creditors, regulators, and internal management teams. The relevance of reporting in our time becomes a key element influencing a company's attractiveness to investors and its competitiveness in the market.

This article will examine the evolution of financial accounting, focusing on contemporary trends and approaches to accounting. We will also analyze the role of reporting in the modern economic environment, identifying its impact on making strategic decisions, investment decisions, and the social responsibility of enterprises. Finally, we will explore the challenges and opportunities associated with the implementation of digital technologies, artificial intelligence, and ensuring security and confidentiality in financial accounting.

The relevance of this research topic is dictated by the fact that financial reporting is a key source for making management decisions based on financial analysis. Financial reporting is a primary source of relevant and reliable information for the management of an enterprise, used to develop business development strategies, production plans, etc. Only through thorough and in-depth analysis of financial reporting can one objectively assess various aspects of a company's activities, develop specific proposals for making effective management decisions to improve the efficiency of the company's operations.

The practical relevance of the research topic is due to the fact that the development of business activities is currently accompanied by an increasing role of financial reporting in management, control, and analysis of the activities of enterprises and organizations. The effectiveness of managing the economic and financial activities of enterprises is currently measured by a system of indicators that are interrelated and interdependent. Analyzing the indicators of a company's financial reporting, the factors and reasons for changes in indicators over time, and identifying the results of improving the efficiency of financial and economic activities are key tasks not just for the company's survival in the market, but for its effective development.

However, it should be emphasized that despite the importance of financial reporting, enterprise reporting according to Russian accounting standards is limited. The effectiveness of analyzing a company's financial reporting depends on the completeness and reliability of the reporting information itself. It is clear that the development of a company is based not on the analysis itself, but on the conclusions drawn by the management based on the analysis of the reports and the management decisions taken.

THEORETICAL FOUNDATIONS OF FINANCIAL STATEMENT ANALYSIS FOR MANAGEMENT DECISION MAKING

The primary purpose of an enterprise's financial statements is to provide information essential for the enterprise. Timely analysis of information provided in financial statements allows for the prevention of negative aspects of the enterprise's economic activities, effective control over the state of assets, capital, and liabilities of the enterprise. The information contained in the financial statements of an enterprise enables a comprehensive analysis of its financial condition.

There is an inseparable link between managerial accounting and financial reporting, which is fully realized only when the data about the enterprise's activities are correctly reflected in the relevant forms of financial statements as indicators.

The preparation of financial statements represents the final stage of accounting, the information of which must be presented for a specific period. The aim of accounting and financial reporting is to provide interested parties with complete and reliable information about the financial position, results of operations, and changes in the financial position of individual entrepreneurs and organizations.

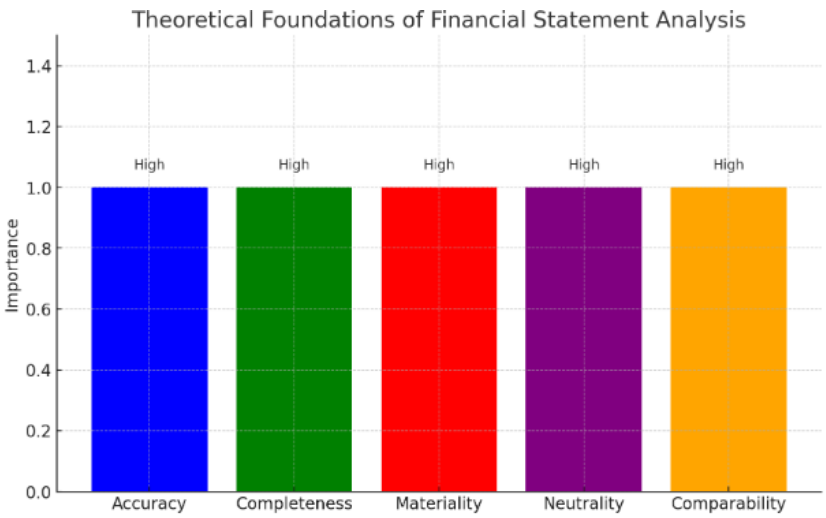

Fig 1. Diagram representing the theoretical foundations of financial statement analysis for management decision making

The essence of an enterprise's financial reporting lies in the fact that financial statements must provide an accurate and complete representation of:

the financial position of the enterprise,

the financial results of the enterprise's activities,

changes in the enterprise's capital,

cash flows,

other changes in the financial state of the enterprise.

Financial reporting is considered accurate and complete when formed based on rules established by current normative legal acts on accounting.

In the formation of financial statements, the enterprise must ensure the neutrality of information, excluding any unilateral satisfaction of the interests of one group of report users over others [1,2].

The main users of accounting information are the owners and officials of enterprises, as well as individuals who are interested in information about the financial and property status of the enterprise for various reasons (stock buyers, etc.).

It can be noted that all users of an enterprise's financial statements are divided into two types:

– external users of financial statements;

– internal users of financial statements.

Furthermore, external users are subdivided into disinterested (i.e., those without a financial interest) and interested (i.e., those with a financial interest). Interested users of an enterprise's financial statements can have a direct financial interest (enterprise owners, investors, creditors, etc.) and an indirect financial interest (tax authorities).

Three groups of internal users of an enterprise's financial statements are distinguished:

– enterprise managers and department heads;

– accounting (financial) service,

– all other departments of the enterprise.

In the context of making management decisions, internal users use information contained in the financial statements of the enterprise for the purpose of effective operational management:

– to evaluate the appropriateness of economic operations carried out by the enterprise;

– to control the compliance of material and financial resources of the enterprise with approved budgets and norms;

– to assess the financial condition of the enterprise;

– to prevent negative results of financial and economic activities of the enterprise;

– to identify internal reserves of the enterprise;

– to make effective management decisions.

Thus, the primary purpose of an enterprise's financial statements in the context of making management decisions is to provide relevant and reliable information to the management of the enterprise for making operational and effective decisions. Consequently, in this case, the content of the enterprise's financial statements is of key importance [7,9].

REQUIREMENTS FOR FINANCIAL REPORTING

Accuracy. Financial statements are considered accurate when they are formulated and compiled based on the rules established by normative acts of the accounting regulatory system. According to International Financial Reporting Standards, financial statements are deemed accurate if they are free from significant errors and truly reflect the company's actual state of affairs. From an audit perspective, accuracy refers to the degree of precision in financial statements, allowing users to make informed management decisions and involves forming an opinion on whether the financial statements comply with normative acts in all material respects.

Completeness. Financial statements are considered complete if they reflect all economic events that occurred during the reporting period. The financial statements of an organization should include the performance indicators of branches, representative offices, and other subdivisions, including those separated into individual balances.

Materiality. Information is considered material if, without it, an adequate assessment of the organization's financial position by interested users would be impossible. Material data on individual assets, liabilities, income, and expenses should be presented separately.

Neutrality. Neutrality in reporting implies the exclusion of one-sided satisfaction of the interests of certain user groups of financial statements over others. Information is not neutral if, through selection or presentation form, it influences the decisions and assessments of users to achieve predetermined results or consequences [13,12].

Comparability (Consistency) means the ability to compare a company's indicators with similar indicators of other companies or with the company's own indicators for other reporting periods. Foreign experience and domestic practice show that financial statements can be useful to users if their qualitative characteristics are observed, such as:

– transparency: clarity and understandability of information regarding the existing situation, decisions made, and actions to all market participants;

– relevance: timeliness and significance for forecasting and verification of results. Reporting information is considered relevant if it can influence the valuation or a decision made at present or in the future;

– veracity: information must reflect the phenomena it is intended to describe;

– prudence: when assessing the accuracy of information presented in financial statements, it is necessary to consider factors of uncertainty, such as the size of doubtful debts;

– comparability: allows users to perform both dynamic and structural analysis [10,8].

Procedure for forming financial reporting indicators

The system of document circulation plays a crucial role in financial accounting, as no economic operation can be entered into the accounting records without corresponding supporting documents. The accounting system at an enterprise represents documented and systematized information about its economic activities, used for compiling financial statements.

Each event in economic life must be documented with primary accounting documents. It is unacceptable to accept documents to accounting records that do not confirm the facts of economic activity, including cases of fictitious and feigned transactions. Fictitious objects of accounting are non-existent objects recorded in accounting for appearance's sake, including unrealized expenses, non-existent obligations, and events that did not occur in real economic life. Feigned objects of accounting are those that are recorded in the accounting records instead of other objects to conceal their true nature, including cases of feigned transactions.

The entire document system can be divided into two main types:

Primary documents, reflecting each event in economic activity.

Consolidated documents, containing aggregated information about several operations.

Primary documents are classified according to the following criteria:

By purpose:

a) Dispositional – reflecting the order to perform specific actions (e.g., a travel order, payment instruction for money transfer, etc.).

b) Justifying – confirming the fact of certain actions and justifying their execution (e.g., an advance report, receipt to the cash receipt order, etc.).

c) Combined – include elements of both of the above types (e.g., payroll, cash disbursement order, etc.).

d) accounting documents – intended exclusively for accounting (e.g., accounting reference, cashier's report, etc.).

By the number of reflected operations:

a) Single-use – prepared for each specific economic operation (e.g., a material release invoice).

b) Accumulative – reflect several operations carried out over a certain period.

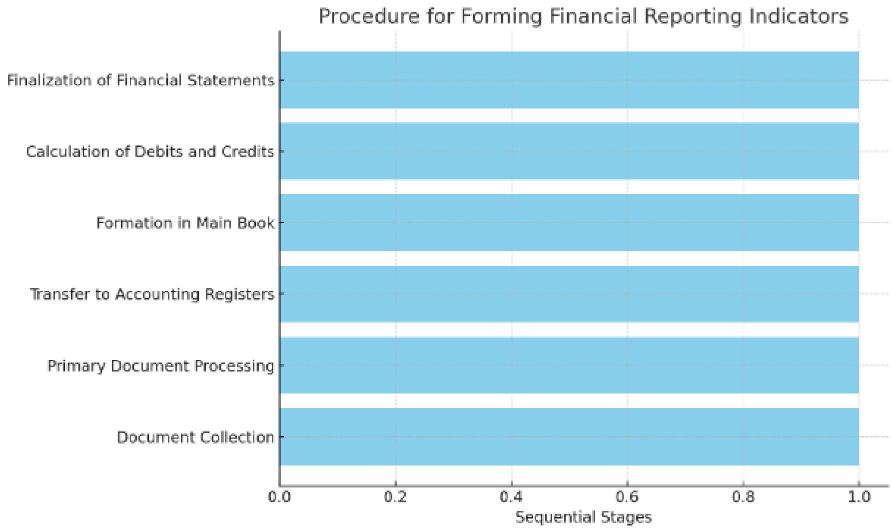

Fig 2. Procedural stages for forming financial reporting indicators

Documents used in an organization are divided into two types: internal, created within the organization, and external, formed from outside. The forms of primary accounting documents are determined by the head of the economic entity in the accounting policy. Each document must contain a number of mandatory requisites, including the name of the document, its date of composition, the name of the economic entity that composed the document, a description of the economic fact, the natural or monetary measurement of this fact with indication of units of measure. Also required are data about the positions of persons who conducted the transaction or operation, their signatures with surnames and initials or other identification data, as well as the deciphering of signatures.

Primary accounting documents can be executed on paper or in the form of an electronic document with an electronic signature. This includes not only documents exchanged with counterparties but also internal documents, such as advance reports, signed with a qualified electronic signature.

The order of document movement in the management process is regulated by legislative or internal administrative documents and must be described in the enterprise's accounting policy. The document circulation scheme includes primary documents, accounting registers, accounting and tax reporting, document circulation schedule, and document storage. All economic operations are reflected in the accounting registers in chronological order and grouped according to the corresponding accounts. The persons who signed them are responsible for the accuracy of the operations' reflection.

In storing accounting registers, it is important to ensure their protection against unauthorized corrections. Any changes in the register must be justified and confirmed by the signature of the person who made the correction. Primary documents in accounting are regulated by the document circulation schedule, which is fixed in the accounting policy.

The process of forming financial statements requires compliance with several conditions to ensure the accuracy and reliability of data. It is important to reflect all facts of economic life based on reliable primary documents, such as accumulative and grouping statements. It is necessary to include all economic operations for the period in the report, as well as the results of the inventory. In addition, data from synthetic and analytical accounting must match.

The accounting process includes three stages: making accounting entries based on primary documents, transferring facts of economic life from primary documents into accounting registers, and forming information about accounting objects in the Main Book based on the totals of accounting registers.

At the end of the reporting period, debit and credit turnovers, and balances are calculated for all accounts, with some accounts being closed at the end of the year. Using the indicators of the Main Book, financial statements are compiled, with special attention paid to the accuracy and completeness of these indicators. Various methods are used to verify entries in the accounts of the Main Book, including comparing turnovers for each synthetic account with the totals of primary documents, comparing turnovers and balances of synthetic accounts, and reconciling with analytical accounting.

To reconcile data between analytical and synthetic accounting, as well as to compare turnovers and balances on synthetic accounts, turnover and balance sheets are prepared. These sheets are separately compiled for all synthetic and analytical accounts, combined under one synthetic account. The verification of accounting entries on synthetic accounts is carried out based on the results of the turnover and balance sheet, which contains three pairs of sum columns for displaying debit and credit totals, of accounting registers.

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CONCLUSION

In the modern world, financial accounting and reporting play a key role in the economic system, ensuring transparency and efficiency of business processes. They are foundational tools for analyzing and controlling the financial state of organizations, as well as for making reasoned management decisions. Financial accounting provides an accurate and systematic reflection of all economic operations, allowing for a credible depiction of a company's activities. The importance of this process is amplified in the context of globalization and increasing competition in international markets, where the accuracy and reliability of information are critical factors for success.

Financial reporting, in turn, serves as an important tool for interested parties, including investors, creditors, government agencies, and employees. It provides comprehensive information about the financial position, operational results, and changes in the financial state of an organization, contributing to the formation of a transparent and responsible business environment. It is also important to note the role of financial accounting and reporting in strengthening financial discipline and increasing the level of trust from partners and the public. This becomes particularly relevant in the era of digitalization, where the capabilities for analyzing and processing large volumes of data are significantly expanded. Thus, financial accounting and reporting are integral aspects of successful organizational management and essential tools for maintaining sustainable economic development in contemporary conditions.

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