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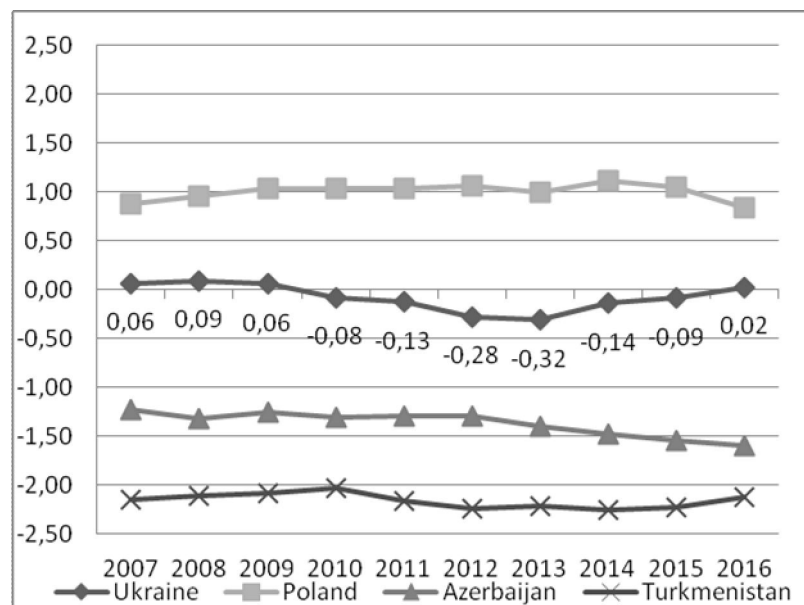
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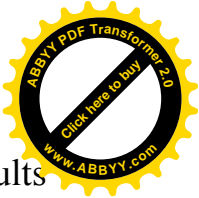
## **PECULIARITIES OF USAGE OF STATE-OWNED ENTERPRISES' FINANCIAL STATEMENTS AS THE SOURCE FOR DETERMINING THE BUSINESS EFFECTIVENESS**

Financial statements are considered as a main source of analysis of enterprise's business activity. In the same time, a significant role in the process of predicting the future economic development of the country belongs to the analysis of business effectiveness of state-owned enterprises. As for the first half of 2017, the share of government sector in the economy of Ukraine was amounted in 15.8% [1]. At the same time, according to the World Bank's "Worldwide Governance Indicators" [2] Research, the position of Ukraine due to the "Voice and Accountability" indicator is relatively low (Figure 1). Among the criteria of countries' analysis there were presented the level of public confidence in accounting of financial results for state-owned enterprises together with the reliability of state accounting as a whole. The index is posted on a scale from -2.5 up to 2.5.



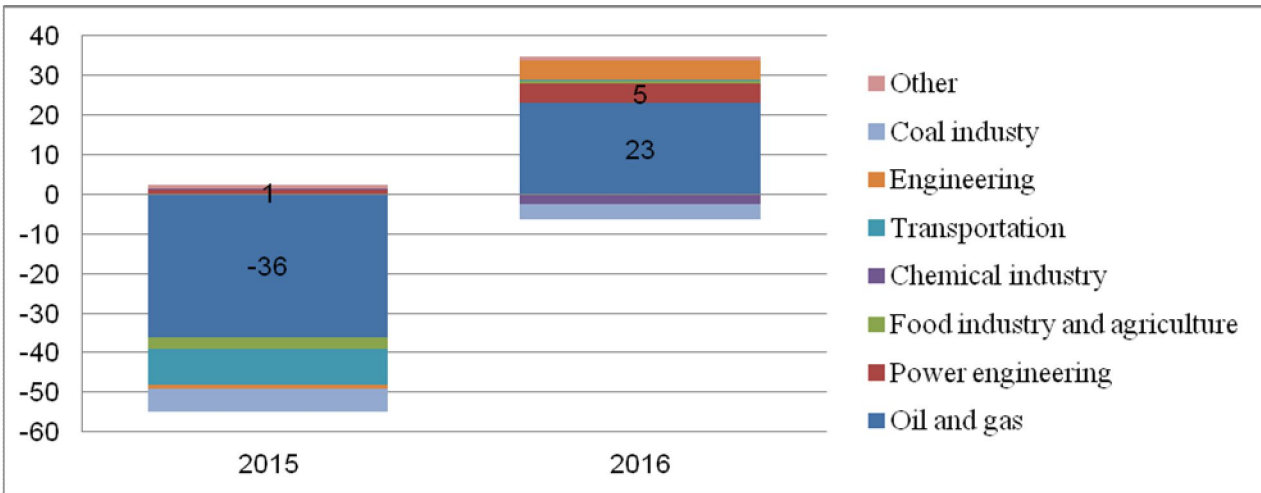
**Figure 1. The dynamics of "Voice and Accountability" Index for Ukraine, comparing with other countries**

The Ministry of Economic Development Research "Report of Top-100 state-owned enterprises in 2016" [3] shows that the portfolio of 94 largest state-owned companies as for the end of 2016 received 26.4 billion UAH as net profit, while in 2015 the financial result was a loss of 53 billion UAH. Nevertheless, the growth of the net profit index for all the portfolio was a result of increasing the performance of



several major state-owned enterprises, while the other 89 companies' financial results totaled a loss of 9.5 billion UAH.

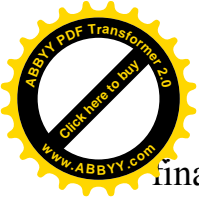
Business activity of state-owned enterprises determines the main trends of the country's economic development. Taking into account the activation of privatization processes and the process of reformation the legal framework for privatization and accounting, the analysis of state-owned enterprises' financial performance and evaluation of the effectiveness of their management are relevant. The quality of the analysis of financial statements depends on the openness of information, the accuracy of reporting and the lack of inaccuracies. According to the research "Transparency of corporate reporting in Ukraine 2016" [4], the averaged transparency index of state-owned enterprises is 3.7 points out of 10. So in order to develop the mechanism of prediction of future economic development, improvement of state-owned enterprises' the accounting of financial results is important. Under conditions globalization, the procedure for compiling and preparing consolidated accounts is extremely relevant.



**Figure 2. Changes in net profit of state-owned enterprises in Ukraine by industries**

While analyzing the efficiency of public sector management, consolidated financial statements are considered as a main source of information about the companies' association impact on industry and regional economies. Consolidated financial statements are financial statements that reflect the financial position, performance and cash flows of a legal entity and its subsidiaries as a single economic entity [5]. Accordingly, consolidated statements form a holistic view of the company and the results of its economic activity. In Ukraine, the process of concluding and presenting of consolidated financial statements is regulated by a number of legal acts, among which there are Law of Ukraine "On accounting and financial reporting in Ukraine", the National accounting Standard 2 "Consolidated financial statements", a number of national and international financial reporting standards. In the context of the analysis of financial results of state-owned enterprises, the Law of Ukraine "About the management of state property objects" should also be taken into account.

In the process of formation and compilation of financial statements, companies are faced with a number of issues, which have a qualitative effect on the final



financial statements and the possibility of their further usage. As the main problem the development and implementation of a single accounting policy for compiling financial statements in accordance with international standards is considered. The complexity of the preparation of consolidated financial statements depends on the differences in the approved accounting policies of enterprises in the group: methods for accounting of inventories, liabilities, depreciation, methods for creating reserves, forming and allocating costs of future periods, the need to recalculate balance sheet items, expressed in foreign currency, etc. Therefore, a single accounting policy for a group of companies is additionally created for reporting purposes. As the organizational problem the complexity of regulatory process is recognized, since the process of consolidation of financial results is regulated by great variety of normative acts.

At the same time, the independent audit revealed a number of inconsistencies associated with changes in accounting policies of the company, which complicate the ability to analyze the consolidated report and use it in future. Thus, it was difficult to evaluate the effect of the deviation from the requirements of IFRS 11 “Joint Arrangements” as the Group’s investments in joint operations were accounted using the equity method. According to the opinion of the audit company, these investments should be accounted as a joint operation that requires the Group to recognize its share in each category of assets and liabilities of the joint activity. At the same time, in the notes to the consolidated statements it is stated that accounting policy was changed due to the lack of reliable financial information prepared in accordance with international standards. The notes also contain the information about changes in accounting policies for oil, which compiles to the standards for the preparation of financial statements.

As a conclusion it should be stated that the process of creation and compilation of financial statements contains a number of issues related to accounting and consolidation. At the same time, the inaccuracies make the process of analyzing of financial statements complicated. For which public sector accounting these issues are especially important, taking into account the usage of consolidated information for further forecasting process of country economic development. That is why the reformation of conditions for creating consolidated accounts is extremely important in the process of the improvement the efficiency state-owned enterprises business activity. Among the possible variants for solving these problems improvement of the legal framework on the issue and the expansion of opportunities for usage of consolidated reporting could be considered.

### References

1. Share of the public sector in the economy for the first half of 2017// Ukrstat. – [Electronic source]. – Access mode: <http://www.me.gov.ua/Documents>
2. Worldwide Governance Indicators// World Bank. – [Electronic source]. – Access mode: <http://info.worldbank.org/governance/wgi/#home>
3. Report of Top-100 state-owned enterprises in 2016" // Ministry of Economic Development. – [Electronic source]. – Access mode: <https://issuu.com>