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PRINCIPLES, TECHNOLOGY AND PROCEDURES OF INTERNAL REPORTING

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Abstract — The essence of internal reporting and its place in the system of information support of the management is explored. Classification of internal reporting is carried out. The rational forms of internal reporting for various information management needs are grounded. Proposed approaches to the structuring of internal reports by the centers of decision-making are grounded.

Key Terms — internal reporting, controlling, management accounting, management report, statements.

Due to the high volatility of market conditions, when managing financial and economic activities of an enterprise, it is necessary to use appropriate methods and tools for strategic and operational management through the adoption of sound management decisions. The information received in the system of managerial accounting is all the features of the enterprise, fully reveals the economic, technical capabilities of the enterprise, the resources used, financial opportunities, etc. The underestimation of the role of managerial accounting leads to the inappropriate use of intellectual, informational, organizational and financial resources of the enterprise, unreasonably increases the costs, which in turn leads to an increase in the cost price of products, reduces its competitiveness and performance of the entire enterprise.

The problem of using managerial accounting in the present, in order to increase the efficiency of enterprise management, is becoming increasingly relevant. This is due to the lack of a unified methodological framework and recommendations for the organization of managerial accounting in certain branches of the

economy, as well as in general, the peculiarities of the formation and development of managerial accounting.

According to the CIMA definition, management accounting is an integral part of management used to identify, summarize, present, interpret and use information that is relevant to: formulating a business strategy; planning and controlling (regulation); effective use of resources; increasing the efficiency and increasing the cost of business; saving of tangible and intangible assets; corporate governance and internal control.

The modern development of economic relations and the conditions of the operation of economic units has led to an increase in the requirements for information management of each enterprise. Thus, the main purpose of the operation of the management accounting system is to provide relevant information to the management system in the form of internal reporting.

The management reporting system consists of operational, current and consolidated management reports. Operational reports are generated daily, weekly, and monthly. They are formed at a lower level of management; contain detailed information on the adoption of current decisions. Current reports accumulate processed and synthesized information for mid-level management (in profit centers, investment centers), compiled from a monthly to quarterly frequency. Consolidated reports are formed periodically from once a month to once a year for a senior management. Based on them, they make strategic decisions and carry out general control of the managerial staff at the middle and lower levels.

It is expedient to form separate forms of internal management reporting for each of the

directions of economic activity. Submissions formats can be:

tables - the most common and convenient form of reporting, which provides a quick perception of information in the presence of a user with a certain level of economic knowledge. Tables, as a rule, contain separate comments and reference data on key indicators;

Presentation provides visual presentation of data in the form of information slides, accompanied by explanations and details of the specialist;

text - written explanation of information is provided.

A distinctive feature of the internal management reporting system is that it is formed in accordance with the organizational structure and is determined by the levels of management, as well as the types of production processes. The minimum volume of reporting forms includes:

Accumulation information (reports) by structural subdivisions, centers of responsibility, types or groups of products, budget items;

summary data (reports) on the activity of the unit for a specific date;

general reports covering the results of the activities of the corporate unit as a whole and its structural subdivisions for a certain period.

Forms of internal financial reporting should be as simple, universal and unified as possible in order to be able to use them according to needs in different time periods.

To ensure that management reporting contains useful and comprehensive information about the activities of a corporate entity and is a reliable information base for substantiating management decisions, it must meet the following requirements: timeliness of reporting, specificity and availability of reporting information, objectivity and comparability of accounting data, and profitability (the costs of reporting must not exceed the benefits of their use), reliability, completeness, integrity, consistency of presentation of information about activities corporate association, the significance of its indicators.

In separate groups, indicators can be identified that characterize the following objects:

resources of the corporate association (labor resources, non-current and current assets);

capital and reserves of a corporation, its long-term and short-term liabilities;

business processes carried out by the association, its revenues, expenses and results of operational and other activities.

The list of indicators within each group is defined in the Internal Regulation on internal management reporting, depending on the specifics of the economic activity of the corporate association.

Internal management reporting of enterprises may be divided into three blocks:

1) management reports on the financial position, performance and changes in the financial condition of the enterprise (revenue and expenditure budget, unit cost estimates, production plan, cash flow budget, payment calendar, investment plan, etc.);

2) management reports on key performance indicators;

3) management reports on the use of enterprise budgets (cash flow reports, income and expenses, production capital investments, etc.).

Internal management reports by the centers of responsibility contain:

reports of cost centers (reports on production costs by type of products (services),

reports on production costs of structural subdivisions, etc.);

Reports of income centers (revenue reports (revenues) by type of products, income reports (sales) reports on sales markets, income reports (sales) by types (groups) of consumers, revenue reports (revenue) for other segments, traffic reports cash funds by income centers (other segments));

reports on profit centers (profit and loss statement by type of products, income statement by type of activity, income statement for other segments, profit and loss statement by type of activity, profit and loss statement for product types, reports on margin for other segments);

reports by investment centers (management balance of investment centers, profit and loss statement by investment centers, report on margin profit from investment centers, report on

changes in capital by investment centers, cash flow statement by investment centers, etc.).

The presented structure of internal management reporting of a corporate association can be modified and developed by expanding one of its components, in particular, one that allows differentiating management reporting by the centers of responsibility and other segments of activity, product types, structural units, etc.

The effectiveness of the internal reporting system is to adhere to a number of conditions, namely: the formation of an array of useful for managing accounting information; harmonization of forms and content of management reporting; application of a functional method of accumulation and summation of information; availability of qualified personnel; in the conditions of multi-choice production - a computerized data processing system.

In the process of internal accounting reporting, it should be ensured the adequacy of the array of reporting information to the needs and capabilities of its processing at the appropriate hierarchical level of the management pyramid. It is necessary to address the issue of the expediency of the formation of many indicators, because management personnel has limited capacity, and the excess information is a waste of time and money. Accordingly, before ordering the information in the accountants, its users must clearly determine the necessary data. As modern business conditions have tendencies to increase the volume of information at many enterprises, additional resources are spent on reporting without proper use by management personnel. The problem is compounded by the lack of appropriate qualification levels for accounting and management personnel.

The process of creating an internal reporting system based on the results of financial and economic activity should be carried out at the following stages:

1) the definition of the composition of the results of financial and economic indicators and their logical grouping;

2) the formation of a control system at all stages of the preparation of internal reports on the results of innovation activities;

3) development of the optimal composition and modeling of forms of internal reporting based on the results of innovation activity;

4) automation of the processes of preparation, control and use of effective accounting indicators.

Formation of the internal reporting system taking into account the above-mentioned proposals will provide the information necessary for the current planning, control and acceptance of operational management decisions, users of all levels of management; to form information which is a means of internal communication between levels of management and various structural units of the same level, to carry out operational control and evaluation of the results of activities of internal units and the enterprise as a whole in achieving the goal and to conduct prospective planning and coordination of enterprise development in the future on the basis of analysis and evaluation of actual performance.

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