

**UDC 657,01**

## **The difference in the understanding of the characteristics of information between IFRS and RAS as a problem of strategic analysis information support**

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### **Abstract**

The article is dedicated to the informational support of strategic analysis, which is particularly enhanced in the present time.

A necessary condition for high-quality information support to provide strategic economic analysis is an improvement of methodological, methodical and legal support for the financial accounting and reporting.

Fair presentation of the property and financial situation of the organization, its changes, as well as financial results cannot be reached without performing an essential requirement of the data comparability, which is consistent with qualitative characteristics both Russian regulations and IFRS. Its importance increases under inflation inherent in the current stage of development of market relations in Russia and abroad.

Appropriate information support of strategic economic analysis enables analysts to evaluate performance and to provide the conditions for advance developments and activities that will improve the performance and specification of business strategy.

### Keywords

Strategic management, strategic analysis, informational support, quality characteristics of information, accounting, inflation.

## Introduction

Current economic conditions, which are characterized by dynamism and complexity of market conditions, increased competition, rapid and unpredictable changes in the legislation, have led to the development of strategic management.

Strategic management enables companies to timely and adequately respond to changes in the environment of their operations and build a competitive advantage that in the long run will ensure the growth of the accounting unit value and strategic goals achievement.

Under the strategic management means the implemented by the company process of registration, working-up, analysis, information preparation and its presentation to management for the development of administrative decisions on complex and long-term development

both the company as a whole and its departments and activities<sup>1</sup>.

An integral component of the strategic management is a strategic analysis. Strategic analysis – is a systematic study and evaluation of environmental factors and the economic potential of the company in order to determine its current market position and identify promising ways of the development<sup>2</sup>.

## Strategic analysis information base

Effective strategic management is not possible without strategic analysis, as the first requires knowledge of the strategic position of the company on the

1 Plaskova, N.S. (2010), *Strategic and ongoing economic analysis. Textbook. Full MBA course* [Strategicheskii i tekushchii ekonomicheskii analiz. Uchebnik. Polnyi kurs MBA], EKSMO, Moscow, 640 p.

2 Ibid.

market and features of the strategy implementation. Strategic analysis helps to choose the direction in which the company will develop. Without a strategy the company has no sound business plan and the only program to achieve the desired results. Strategic analysis is an initial stage of the strategy development in the company.

As for any other type of analysis, the strategic one needs quality information support. By strategic analysis information support we imply a multifunctional complex that supports the process of continuous targeted data collection, transmission and processing of the relevant regulatory parameters necessary for analysis, monitoring, planning, preparation of strategic management decisions<sup>3</sup>.

The content of information support system is determined by a complex of issues solved in the framework of strategic analysis, as well as features of the functioning of the object studied (business affiliation, range of activity, structure of the business process management, the possibility of data automation. In addition to economic data forming the largest information block in terms of volume and value, for a deep and thorough analysis needed legal, technical and social information as well, which forms an

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<sup>3</sup> Ibid.

integral information system for strategic analysis.

### **Problems of strategic analysis information support**

The accounting and reporting block is certainly one of the most important components of information during the strategic analysis. A necessary condition for high-quality information support to provide strategic analysis is to improve the methodological, methodical and legal support to the accounting and reporting. For that Russian Federation adopted and developed the ways on adaptation of national accounting standards with international. But, despite the efforts in the area of convergence of IFRS and Russian accounting standards, there are still differences among them. In particular, there is a distinction in the understanding of qualitative characteristics of the information contained in the accounting and financial statements.

The most important quality characteristic of the information contained in the accounting and financial reporting will be its practicality for strategic analysis and executive decision-making. Useful information should be clear to the user, appropriate and comparable. If the information is to answer these character-

istics, it will be found to be useful to the user and can be applied in the process of strategic analysis.

The difference in understanding of qualitative characteristics of the information contained in the accounting and financial reporting between IFRS and RAS is a problem of strategic analysis information support.

The fundamental requirements for the quality characteristics of the information contained in the accounting and financial reporting are set forth in the International Financial Reporting Standard No. 1 "Presentation of Financial Statements". In accordance with IFRS No. 1 the information contained in the financial statements will be useful for users if it meets the following characteristics: understandability, relevance, reliability and comparability. I.e., the information must be understandable to users, influence on economic decision-making by users of accounting; the information should not contain errors and incorrect data, should have possibilities to compare the financial statements for a number of periods in order to determine the dynamics of individual indicators and the organization activities in whole<sup>4</sup>.

4 Brovkina, N.D. (2012), "International Financial Reporting Standards. Study guide" ["Mezhdunarodnye standarty finansovoi otchetnosti. Uchebnoe

In accordance with the Accounting Regulation 4/99 "Organization Accounting Reports", the information contained in financial statements should give a true and complete picture of the organization financial position, financial results of its operations and changes in its financial standing. Qualitative characteristics of the information contained in financial statements, and those cited in the 4/99, include: accuracy, completeness, neutrality. In other words financial statements should give a true and complete picture of the financial position of the organization, financial results of its operations and changes in its financial standing. Accounting reporting is considered accurate and complete if it is formed from the basis of rules established by accounting regulations. The neutrality of the information is to eliminate the unilateral serving the interests of one group of users of financial statements before others<sup>5</sup>.

Therefore, in preparing accounting and financial reporting in the Russian context comes to the fore not useful and

posobie"], available at: [www.ippnou.ru/docs/dipifr/msfo\\_brovkina.pdf](http://www.ippnou.ru/docs/dipifr/msfo_brovkina.pdf)

5 Bakhrushina, M.A., Sidorova, M.I., Borisova, L.I. (2011), *Strategic management accounting: full MBA course* [Strategicheskii upravlencheskii uchet: polnyi kurs MBA], Rid Grupp, Moscow, 191 p.

informative information, contained in financial statements, rather than a procedural aspect of reporting preparation.

In our view, it is necessary to reconsider the relation to the process of formation and disclosure of the information contained in the accounting and financial reporting by the state and enterprises. The state should create conditions for the establishment of social mandate for accurate and complete information in the context of the market, on the part of owners, investors and creditors. While such a mandate exists only on the part of the tax and other regulatory services, as reflected in Paragraph 6 of the Accounting Regulation 4/99.

Since all financial statements are prepared in terms of value, than it is also necessary to take into account the inflation while the formation process. The advantage of monetary indicator is undeniable, since it represents a common denominator and enables to measure the aggregate performance of various assets as fixed assets, accounts receivable, inventory etc. But the cost of funds, their purchasing power over time change, and, as a rule, in the direction of decreasing. Thus, for instance, comparing the cost of the product sold today, with the same amount of product sold five to seven years ago, we may get seriously distort-

ed results. Therefore, there is a need for comparability of the information contained in the accounting and financial reporting.

Understanding the problem of the financial statements assessment reliability in terms of inflation reflected in the IAS. Under IAS No. 29 "Financial Reporting in Hyperinflationary Economies", the financial statements relating to the reporting or previous reporting period, regardless of whether it is based on the actual or replacement value, should be provided in the measuring units having an effect on accounts date.

Russian accounting standards do not contain such a requirement. The result is that information loses some of its value and usefulness for strategic analysis.

Generally, the solution to this problem in our opinion can be stated as follows: the convergence of Russian accounting standards and international financial reporting standards. And in particular it is necessary to carry out a number of activities that would help the process of convergence.

First, we need to develop a method of accounting adjustments indicators of financial reporting in an inflationary economy. In our opinion, it is appropriate to incorporate Provisions on accounting with guidance on reflecting in the finan-

cial statements of indicators for measuring the level of prices for the current and prior reporting periods. Such a rule could reduce the time to prepare applicable reports for strategic analysis. For the time being for the implementation of reliable and objective strategic analysis it is necessary to transform financial statements, taking into account inflation and other drawbacks of such statements. Exclusively of this change one cannot adequately assess the dynamics of enterprise standing and frame a projected growth.

Second, to increase the information content of accounting and financial reporting for the purpose of strategic analysis, in our opinion, the financial statements should be formed in the direction of disclosure of enterprise prospects. Financial statements prepared today are retrospective in nature, as it reflects the property and financial condition of the company at the end of the year. For the development of accounting in the direction of the enterprise prospects disclosure, there should be carried out a number of measures drawn from the experience of the US enterprises: the increase of the information volume focused on the future, including plans for leadership development opportunities, risks, evaluation of threats to sustainable development of enterprises, focus on the

factors that create or may create value in the long term, greater conformity between the information that is used for internal management decision-making and that is available to external users.

Third, according to our reckoning, all of the proposed changes above should be non-regulatory. Entities should take them through the prism of utility, only after they will be applied in a proper manner.

Fourth, in the present the RAS and IFRS convergence rests on the shoulders of the state, in particular the Ministry of Finance of the Russian Federation. At the same time, we believe that companies are free to develop standards that do not contradict the Russian accounting standards, but as close as possible to international standards.

Accounting financial statements of Russian companies engaged in the development of internal accounting standards as close as possible to IFRS could have all the quality features that would allow it to become a reliable and useful source for strategic analysis.

## **Conclusion**

A necessary condition for high-quality information support to provide strategic economic analysis is an improvement

of methodological, methodical and legal support to the accounting and reporting.

Fair presentation of the property and financial situation of the organization, its changes, as well as financial results cannot be achieved without performing an essential requirement of data comparability, which is consistent with the qualitative characteristics both Russian regulatory frameworks and IFRS. Its importance increases under inflation inherent in the current stage of the development of market relations in Russia and abroad.

An appropriate information support of the strategic economic analysis enables analysts to evaluate performance and to provide conditions for new developments and activities that will improve the performance and specification of the enterprise strategy.

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## Различие в понимании характеристик информации между МСФО и РСБУ как проблема информационного обеспечения стратегического анализа

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**Аннотация**

Статья посвящена актуальной проблеме информационной обеспеченности стратегического анализа, которая особенно усиливается в настоящее время – время динамичной экономики, характеризующейся сложностью конъюнктуры рынка, усилением конкурентной борьбы, быстрыми и непредсказуемыми изменениями законодательства. Большое внимание автором в данной статье уделяется сопоставлению пониманий характеристик информации в МСФО и РСБУ. Именно этот аспект лег в основу проблемы качества информационного обеспечения стратегического анализа. При минимизировании различий в понимании качественной информации по российским и международным стандартам достигается максимальный эффект от проведения стратегического анализа, базируемых на нем управленческих решений и построенной стратегии предприятия.

**Ключевые слова**

Стратегическое управление, стратегический анализ, информационное обеспечение, качественные характеристики информации, бухгалтерская отчетность, инфляция.