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PROSPECTIVE DIRECTIONS OF CHANGES IN THE FINANCIAL REPORTING OF ENTERPRISES IN THE CONTEXT OF THE GLOBALIZATION OF THE WORLD ECONOMY

V. DOVBUSH[1], R. KOZHUSHKO[1]
[1] *Kyiv National University of Technologies and Design, Ukraine.*

Statement of the problem and tasks. Ukraine is a country with transitive economy characterized by creation and development of market institutions aimed at privatization of state property, deregulation and liberalization of economic relations. Transformation of economy of Ukraine requires from enterprises the application of management concepts, focused on the new conditions of economic management – uncertainty and crisis nature of market environment. The effectiveness of the implementation of new principles of management depends on the completeness and reliability of the information and analytical support of management decisions.

Methods. The study used: a dialectical method, system analysis – for detailing and decomposition of the object of research into separate important constituent elements; synthesis – to summarize the various aspects of the financial statements of the enterprise.

Results. The technical issues of accounting were investigated: the key differences in approaches to enterprise accounting between the International Financial Reporting Standards (IFRS), Generally Accepted Accounting Principles (US GAAP) and the Regulations (Standards) of Accounting (NARS) were determined; the impact of the identified differences on the data processing in the accounting systems was assessed. It is determined that governmental accounting rules in the United States are governed by its generally accepted GAAP accounting principles. It has been proven that conceptually, IFRS, which is used by states around the world, is more "principled" than GAAP, making it somewhat less complex and consistent, offering fewer exceptions and unique applications.

Conclusions. The current trend in financial reporting is to produce integrated reports that combine financial and non-financial information. However, not all companies find it necessary to disclose more information than the amount required of them by regulators. Therefore, there is a need to standardize not only financial information, but also non-financial indicators and the very structure of an integrated report.

Keywords: accounting; financial reporting; International Financial Reporting Standards (IFRS); Generally Accepted Accounting Principles (GAAP).

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
20	1	3

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ПЕРСПЕКТИВНІ НАПРЯМКИ ЗМІН У ФІНАНСОВІЙ ЗВІТНОСТІ ПІДПРИЄМСТВ У КОНТЕКСТІ ГЛОБАЛІЗАЦІЇ СВІТОВОЇ ЕКОНОМІКИ

В. ДОВБУШ[1], Р. КОЖУШКО[1]
[1] *Київський національний університет технологій та дизайну, Україна.*

Постановка проблеми та завдання. Україна є країною із транзитивною економікою, що характеризується створенням та розвитком ринкових інститутів, спрямованих на приватизацію державної власності, дерегуляцію та лібералізацію економічних відносин. Трансформація економіки України вимагає від підприємств застосування управлінських концепцій, орієнтованих на нові умови господарювання – невизначеності та кризового характеру ринкового середовища. Ефективність реалізації нових засад управління залежить від повноти та достовірності інформаційно-аналітичного забезпечення прийняття управлінських рішень.

Методи. У дослідженні було використано: діалектичний метод, системний аналіз – для деталізації і розчленування об’єкта дослідження на окремі важливі складові елементи; синтезу – для узагальнення різних аспектів фінансової звітності підприємства.

Результати. Досліджено технічні питання бухгалтерського обліку: визначено ключові відмінності в підходах до обліку діяльності підприємства між Міжнародними стандартами фінансової звітності (МСФЗ), Загальноприйнятими принципами бухгалтерського обліку (US GAAP) та Положеннями (стандартами) бухгалтерського обліку (НП(С)БО); оцінено вплив виявлених розбіжностей на процес обробки даних в бухгалтерських облікових системах. Визначено, що державні правила бухгалтерського обліку в Сполучених Штатах регулюються його загальноприйнятими принципами бухгалтерського обліку GAAP. Доведено, що концептуально МСФЗ, які використовуються державами по всьому світу, є більш «принципові» ніж GAAP, що робить їх дещо менш складними і послідовними, пропонуючи менше винятків і унікальних додатків.

Висновки. Сучасною тенденцією у складанні фінансової звітності є формування інтегрованих звітів, які поєднують фінансову та нефінансову інформацію. Проте не всі компанії вважають за необхідне оприлюднювати більше інформації, ніж той обсяг, якого від них вимагають регулятивні органи. Тому виникає потреба у стандартизації не лише фінансової інформації, а й нефінансових показників та самої структури інтегрованого звіту.

Ключові слова: бухгалтерський облік; фінансова звітність; Міжнародні стандарти фінансової звітності (МСФЗ); Загальновизнані принципи бухгалтерського обліку (GAAP).

Introduction. There are many accounting standards in the world and each country uses its own version of generally accepted accounting principles, also known as GAAP. This allows businesses to report their financial and business activities in accordance with the applicable standards. However, a difficulty arises when a business operates in many countries. The question arises: how do investors work with several standards, of which one is more meaningful to disclose the interests of investors in financial statements, and how to compare the performance of enterprises reporting under different standards? A possible solution of this question is the application of IFRS standards, which are developed and supported by the International Accounting Standards Board (IASB).

Standards are on the second level in the accounting regulation system – after regulatory legal acts of a higher legal force. In this connection the standards of accounting inherent features and characteristics of regulatory documents, for example, binding, standardization of accounting and the like. The review of legislative acts testifies to the orientation of Ukrainian accounting towards the norms of the European Union and the general harmonization and unification of accounting standards.

When making managerial decisions, of course, it is better to use the data of management accounting and reporting. After all, management accounting is in no way regulated. Therefore, in the case of its introduction you can implement any approach convenient for management. Of course, there are many nuances to which you need to pay attention, but the general approach the manager chooses at his discretion. If an enterprise already keeps accounts in accordance with the requirements of IFRS, it makes sense for the manager to use this data. After all, if a certain approach is used in financial accounting, it is more expedient to use it in management accounting as well. Besides, IFRS also give much more freedom in the approach to accounting in comparison with national standards.

While the trend in Europe is toward international accounting and financial reporting standards, the United States continues to follow its own standards and, given its significant impact on the world economy as a whole, the application of US GAAP by companies in other countries is also common. At the same time there are significant differences in the information provided under IFRS and US GAAP, in particular, under American standards it is allowed to use LIFO method for valuation of inventories, it is prohibited to capitalize development costs and the like. Thus, for the purpose of decision-making by investors it seems reasonable to compare separately those companies which prepare accounts under IFRS and those which submit accounts under US GAAP, because the difference between the two systems of standards does not allow making informed decisions due to the incomparability of financial information.

So, the integration of European countries is closely connected with the deployment of the standardization process of accounting, as it implied the convergence of legislative norms of individual European countries and the adoption of legislative acts, mandatory for all European Union member states – directives. By choosing the direction of European integration and signing the Association Agreement, Ukraine also undertook to bring the norms of Ukrainian legislation closer to the norms set out in EU directives.

The aim of the article is to highlight the peculiarities of organization of financial reporting by enterprises, theoretical justification of generally accepted accounting principles with International Financial Reporting Standards and analysis of main differences between them.

To achieve the goal, the article handles the following tasks:

- to reveal the main approaches to the implementation of standardization of accounting in enterprises;
- to investigate the theoretical basis of the essence of financial reporting and its place in the economy of the enterprise;
- to clarify the place of accounting standards as regulatory documents in the system of legal acts of Ukraine
- to determine the main differences in accounting standards set out in the NARS of Ukraine, US GAAP and IFRS and their impact on the comparability of financial information
- to improve the model of harmonization of public financial reporting at the international level to develop a unified system of principles for the global standardization of reporting.

Materials and methods. The information base of the study were: fundamental balance theories (static, dynamic, organic and econometric); scientific works of domestic and foreign scientists in the field of accounting and financial reporting; legislative and regulatory and instructive base on accounting and financial reporting; international systems of accounting and reporting standardization; public corporate financial statements of Ukrainian and foreign enterprises.

This article is built on the theoretical research of such scientists: M.M. Shigun, who argues that reporting summarizes the information obtained in the accounting system and at the same time is an element of its method (Shigun *et al.*, 2012); P.P. Nimchinov his time noted that reporting is a system of generalized economic indicators that characterize the level of execution of the plan, the availability and use of funds and the results of economic activity for the reporting period (Nimchinov, 1977); I.I. Kokhno, V. Sapozhnik, who hold the view that the stages of completion of records in the analytical accounting accounts and completion of records in the general ledger (Kokhno *et al.*, 2018); P. Golubnycha, who notes that financial reporting is the main element of information support for the management of the enterprise, economic and production processes in it (Golubnycha *et al.*, 2012); T.M. Storozhuk, A.M. Doyonko argue that the composition of mandatory financial reporting forms of different countries is different among themselves, but four groups can be identified, each of which will have a different economic justification. Anyway, the main documents of financial reporting in foreign countries are the balance sheet and income statement (Storozhuk *et al.*, 2019).

All studies were conducted on the basis of accounting and analytical information of EPAM Systems IT company.

The tasks set in the research paper were solved using the following methods: abstract-logical (when studying the essence of financial reporting and related categories, formulating theoretical generalizations and conclusions); formalization – to adapt the format of corporate financial reporting in modern business conditions; statistical-economic – to compare, group and display empirical indicators (to identify the specifics and special features in the organization of financial reporting); series of dynamics (at research of change of articles of the financial reporting); graphic (for visual representation of results of research); calculation and constructive (at forecasting of possible variants of a combination of the information of retrospective and perspective character); comparison (for the purpose of comparison of the data in dynamics); method of analogies – for formation of methodical tools of the analysis of financial reporting of enterprises. The reliability of the obtained results, conclusions and proposals is confirmed by the conducted research and a significant amount of empirical material presented in the article.

Data description. In the scientific literature there is no unified approach to the definition of the concept of standardization, as well as related concepts such as harmonization and unification of accounting. Standardization of accounting can be considered as:

- the process of ensuring the comparison of financial statements of Ukrainian companies with the financial statements of other countries;
- the process of bringing national accounting standards to international standards while preserving some national peculiarities;
- the process of unification and harmonization of accounting systems at the international level;
- the process of full transition to international accounting standards, ensuring generalization of the best global accounting practices and ease of perception of financial information around the world (Reznikova *et al.*, 2015).

There are two main approaches to considering the process of accounting standardization, presented in Fig. 1:

1) vertical classification, i.e. standardization in terms of the depth of unification, strictness of regulation of the accounting system and financial reporting;

2) horizontal classification, i.e. standardization in terms of the scale of its implementation.

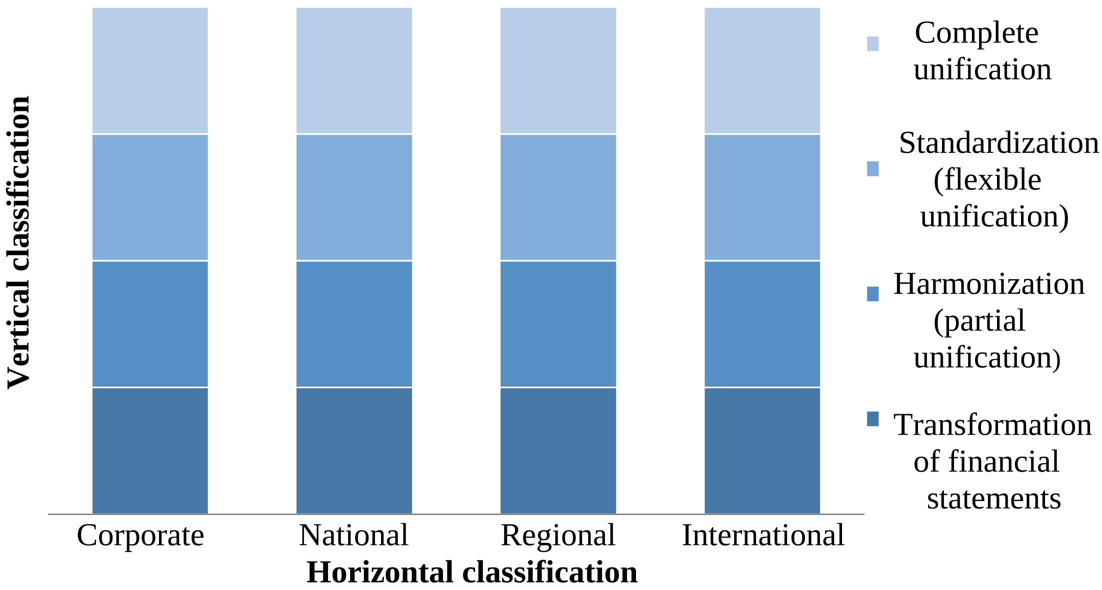

Figure 1. **Types of standardization depending on the depth (vertical classification) and scale of implementation (horizontal classification)**

Thus, according to IAS 1, financial reporting is such reporting, which aims to meet the needs of users who cannot require an economic entity to prepare reports in accordance with their information needs.

Integration of Ukraine into European and global economic space increases the interest in public companies' reporting, which is the basis for the implementation of appropriate economic behavior of investment market subjects. Such situation causes urgency and special importance of solving methodological problems of compiling financial statements at enterprises, which will allow evaluating both financial and non-financial indicators and preventing distortions or asymmetries in the financial statements of enterprises. Separately, the problems can be posed:

- the preparation of special types of financial statements, such as consolidated, combined by segment or industry specifics (insurance companies, banks, agriculture, etc.);

- organizational issues of financial reporting. For example, the formation of accounting policies to improve the efficiency of management of corporate enterprises (Bezverkhy, 2013).

Therefore, in our opinion, it is the identification, research and analysis of problems in the organization of the preparation, filing and disclosure of financial statements to provide ways to unify the original information, the only understanding of the reporting indicators, both internal and external users.

Historically, the basis of the US GAAP system of generally accepted accounting principles (US GAAP) were the rules of equity participation of investors in the company, and the basis for the IFRS – the rules of interaction of borrowers with financial institutions. Therefore, the US standards pay more attention to providing adequate financial information to shareholders (Kulik e*t al.*, 2016).

The U.S. Conceptual Framework distinguishes 10 elements of financial reporting (Conceptual Framework Statement No. 6), namely: assets, liabilities, equity, owner investments, owner withdrawals, income from operations, income from other operations, expenses related to operations, other expenses, and comprehensive income. The definition of these elements of financial reporting according to the American conceptual framework is shown in Table 1.

The study of IFRS and GAAP allows us to assert that Ukrainian NARS developed on the basis of both of the aforementioned standards.

An item is reflected in the financial statements if it meets the recognition criteria.

Recognition, according to the American conceptual framework, is the process of formally recording, recording or including in the financial statements of an entity as an asset, liability, income and the like. There are four fundamental recognition criteria as follows:

- definition – the item must meet a certain definition;
- measurement – the item has an appropriate measurement that can be reliably measured;
- relevance – the information about it can influence the decision of users;
- reliability – the information about the element is neutral, fairly presented, and verifiable.

The main differences in the recognition criteria according to American and international standards are systematized in Table 1.

Having analyzed the recognition criteria under U.S. and international standards, it is clear to us that in general the approaches to the recognition of elements in reporting are the same, but the U.S. Conceptual Framework focuses more on relevance and reliability of information, cost/benefit constraints, and types of measurement, which are treated separately in IFRS (Skripnyk *et al.*, 2019).

Table 1

Comparison of definitions of financial reporting elements in the U.S. conceptual framework

Item	*Definition in US GAAP*	*Source*	*Definition in IFRS*	*Source*	*Definition in NARS*	*Source*
1	*2*	*3*	*4*	*5*	*6*	*7*
Asset	The probable future economic benefits received or controlled by an individual company as a result of a transaction or past events	(SFAC 6, art. 25)	A resource controlled by an entity as a result of past events from which future economic benefits are expected to flow to the entity	IAS 38	Resources controlled by the entity as a result of past events, the utilization of which is expected to result in future economic benefits	NARS 1
Liabilities	The probable future cost of economic benefits arising from an individual company's existing obligations to transfer assets or provide future services to other companies as a result of past transactions or events	(SFAC 6, art. 35)	Existing indebtedness of the entity that arises as a result of past events and is expected to result in the retirement of resources of the entity that embody economic benefits	IAS 37	Indebtedness of the entity arising from past events, the repayment of which in the future is expected to result in a decrease in the resources of the entity embodying economic benefits	NARS 1
Share-holder's equity	The residual interest in the assets of a business after deducting all of its liabilities	(SFAC 6, art. 49)	Definition absent		The difference between the assets and liabilities of an enterprise	NARS 1
Owner invest-ments	The long-term investment of capital by owners for the purpose of making a profit	(SFAC 6, art. 65)	Definition absent		Financial investments – assets that are maintained by an enterprise for the purpose of increasing profits (interest, dividends, etc.), increasing the value of capital or other benefits to the investor	NARS 13

Continuation of *table 1*

1	*2*	*3*	*4*	*5*	*6*	*7*
With-drawn funds of owners	The withdrawal by owners of previously invested capital in the operation of an enterprise	(SFAC 6, art. 71)	Definition absent		Definition absent	
Operating income	Receipts of the enterprise's assets or repayments of its accounts payable (or a combination of both) from the supply or production of goods, services, or other transactions that do not constitute its principal activity	(SFAC 6, art. 82)	The gross inflow of economic benefits during the period arising in the ordinary course of the business when equity grows as a result of that inflow, rather than as a result of contributions from equity participants	IAS 18	Income – an increase in economic benefits in the form of assets received or liabilities reduced, which leads to an increase in equity (excluding capital growth at the expense of owners' contributions). Main activity – operations associated with the production or sale of products (goods, works, services), is the main purpose of establishing an enterprise and provides the main share of its income	NARS 1
Income from other activities	Receipts of the entity's assets or settlement of its accounts payable (or a combination of both) from the supply or production of goods, services, or other operations that do	(SFAC 6, art. 84)	Definition absent		Definition absent	

Continuation of *table 1*

1	*2*	*3*	*4*	*5*	*6*	*7*
	not constitute its principal activity					
Expenses associated with core activities	Disposals or other use of assets or creation of payables (or a combination of both) as a result of the supply or production of goods, services, or other operations that constitute the principal activity of the business, which continues	(SFAC 6, art. 80)	Definition absent		An expense is a decrease in economic benefits in the form of an outflow of assets or an increase in liabilities that results in a decrease in equity (other than a decrease in equity due to a withdrawal or distribution by owners)	NARS 1
Other expenses	Withdrawals or other use of assets or creation of accounts payable (or a combination of both) as a result of the supply or production of goods, provision of services, or other activities that constitute the core business of the business, which continues to be the case	(SFAC 6, art. 81)	Definition absent		Definition absent	
Compre-hensive income	Changes in equity during the reporting period, due to all transactions and events, excluding events related to investments and withdrawals from the owner's side	(SFAC 6, art. 98)	Change in shareholders' equity during the period as a result of transactions and other events, other than changes resulting from transactions with owners who act under their powers of owners	IAS 1	Changes in equity during the reporting period as a result of economic transactions and other events (excluding changes in equity due to transactions with owners)	NARS 1

Table 2

Comparative Characteristics of Recognition Criteria Requirements Under U.S. and International Standards

Characteristics of recognition criteria attributes	*American conceptual framework*	*Conceptual Framework of IFRS*
Item definition	Included to the criterion of recognition	Not included in the recognition criteria, but included in the determination of the recognition process
Application to elements	Assets, liabilities, income, expenses	Assets, liabilities, income, expenses
Probability of inflow / outflow of future economic benefits	Determined by	Determined by
Reliability of measurement (estimation)	Determined by	Determined by
Relevance of information	Determined by	Not specified
Reliability of the information	Determined by	Not specified
Cost/benefit limit	Determined by	Not specified
Materiality threshold	Determined by	Specified as one of the conditions for defining recognition criteria
Different types of evaluation	Determined by	A separate section is devoted to types of evaluation
Different stages of recognition (first recognition, next valuation, halting recognition)	Not identified	Not identified

In general, the following ten major differences between IFRS and US GAAP can be identified:

1. Global / local.

2. Rules and principles. IFRS is principle-based and looks at general patterns and provides more room for different interpretations of the same situations, while US GAAP is research-based and is guided by a specific set of rules that provide fewer exceptions and explanations.

3. Inventory methods. US GAAP allows the LIFO method to be used to value inventory at a time when IFRS prohibits it because LIFO does not reflect the exact flow of inventory.

4. Inventory changes. US GAAP does not allow positive market changes in the form of increases in the market value of assets and prohibits the reversal of write-downs, while IFRS does.

5. Development expenses. Under US GAAP development costs are recognized in full in the year of their occurrence, while IFRS allows you to capitalize them if certain criteria are met. IFRS allows you to reduce costs, obtain high rates of return, low level of debt and lower asset turnover ratio.

6. Intangible assets. Under IFRS, accounting for intangible assets must consider whether the asset will yield future economic benefits, while under US GAAP intangible assets are simply valued at fair market value. Goodwill is recorded on the balance sheet at cost less accumulated amortization, any adjustment will affect equity directly.

7. Income Statement. Extraordinary and unusual items must be separated and shown separately from the US GAAP income statement, while under IFRS such items are included in the income statement and are not separated.

8. Classification of Liabilities. Under US GAAP, all debt is classified into current and non-current liabilities, while under IFRS all debts are considered indivisible on the balance sheet.

9. Funds. IFRS allows for a revaluation model that is based on current-date fair value plus accumulated depreciation and impairment losses, while US GAAP mandates that property, plant, and equipment be valued using the cost model, which is the sum of historical cost excluding accumulated depreciation.

10. Quality Characteristics. Both IFRS and US GAAP are intended to ensure the relevance, reliability, compatibility, and understandability of accounting information. IFRS permits, under certain circumstances, decisions not to be made on the basis of that information, while US GAAP does not permit such a possibility.

11. Leases. US GAAP provides clear criteria for determining whether a lease is considered an operating lease. Operating leases are not reflected in the financial statements, while leases are capitalized. US GAAP requires that a lease be capitalized if the present value of the minimum lease payments equals 90% or more of the fair value of the leased asset. A lease is recognized if it has a term equal to at least 75% of the economic life of the asset that is classified as equity. IFRS does not set a precise mathematically expressed boundary between operating leases and leases, and this could result in a significant change in the level of return on assets, profitability of operating income and the like.

Results and discussion. U.S. companies must comply with US GAAP accounting rules when doing business internationally as well (Gaidarzhiyska *et al.*, 2018). Therefore, often legal entities whose parent companies are registered in the United States have to prepare financial statements in several versions – according to the national standards of the country where they are registered and/or according to IFRS, as well as according to US GAAP. The main differences in financial statements prepared under US GAAP and IFRS are shown in Table 3.

The use by an enterprise of national standards of different states or international accounting standards leads to different financial results, once again confirming the incomparability of the indicators of financial statements. On the other hand, the choice to apply international or national accounting standards may be influenced by the understanding, the financial result will be displayed in the statements in the first and second case. The level of financial results may differ due to methods of evaluation, so the amount of profit is subjective and depends on the choice of procedures and accounting methods. Another factor to consider when choosing accounting standards is the industry in which the company operates and its volume. Large enterprises usually focus on IFRS, and medium and small enterprises on national accounting standards.

Table 3

Differences between types of financial statements under IFRS, US GAAP and NARS

Type of financial report	*IFRS*	*US GAAP*	*NARS*
1	*2*	*3*	*4*
balance sheet	IAS 1 recommends the division of assets and liabilities into "current" and "non-current", defines the minimum list of items that should be on the balance sheet	CON 5–6 recommends that assets and liabilities on the balance sheet be shown in descending order of liquidity	NARS 1 reflect the assets, liabilities and equity of an enterprise
Statement of profit and loss	IAS 1 allows the presentation of expense items by "function" and "nature", but when providing information on "function", the classification by "nature" should also be disclosed in the notes	CON 5–6 recommends expense recognition by function	NARS 1 show income, expenses, financial results and comprehensive income
Statement of changes in equity	IAS 1 shows the movement in all items of equity and accumulated profit (loss)	Requirements are similar to IFRS, but some information is permitted to be disclosed in the notes rather than in the report itself	NARS 1 discloses information on changes in the composition of own capital of an enterprise during the reporting period
Statement of cash flows	IAS 1 provides that dividend payments are reported in operating or financing activities and dividend receipts are reported in operating or investing activities	CON 5–6 additionally requires disclosure of significant non-cash transactions	NARS 1 discloses information on cash flows during the reporting period resulting from operating, investing and financing activities

Since the beginning of the last century, the statements of large enterprises have disclosed any information that can affect their value, and thus both financial and non-financial. However, excessive disclosure of information may lead to loss of competitiveness of an enterprise, so there is a very fine line between the information which is necessary for the users of statements and the information which must remain a trade secret.

Modern reporting of large enterprises provides for the addition of financial information non-financial, digital information descriptive, obligatory to disclose that information, which is disclosed on a voluntary basis, as well as a combination of information of retrospective and prospective nature.

Conclusion. We can conclude that despite the global trend towards transition to international accounting and financial reporting standards, the United States continues to adhere to its own standards, and given the significant influence of this country on the world economy as a whole, it is also common for companies in other countries to apply US GAAP. At the same time there are significant differences in the information provided under IFRS and US GAAP, in particular, under American standards it is allowed to use LIFO method for valuation of inventories, it is prohibited to capitalize development costs and the like. Thus, for the purpose of decision-making by investors it seems reasonable to compare separately those companies which prepare statements under IFRS and those which submit them under US GAAP, because the differences between the two systems of standards do not allow making informed decisions due to the incomparability of financial information.

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Abbreviations:

IFRS	International Financial Reporting Standards
NARS	National accounting regulations (standards)
GAAP US	Generally accepted accounting principles
LIFO	Method of accounting for inventories
IASB	International Accounting Standards Board
МСБО	International Accounting Standards

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AUTHOR (S) BIOSKETCHES

Dovbush Vita, PhD in Economics, Associate Professor, Department of Entrepreneurship and Business, Kyiv National University of Technologies and Design, Ukraine.

https://orcid.org/0000-0002-9992-6019
E-mail: dowbusch.v@ukr.net

Kozhushko Roman, Candidate of Technical Sciences, Associate Professor, Department of Entrepreneurship and Business, Kyiv National University of Technologies and Design, Ukraine.

https://orcid.org/0000-0002-5431-6022
E-mail: kozhushko.ry@knutd.edu.ua

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