



Features of Adaptation of International Financial Reporting Standards in the Russian Commercial Organizations

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ABSTRACT

In connection with the crisis increased the urgency of adaptation to international standards of financial reporting in the Russian economy in the Russian commercial organizations. Great influence on the modern accounting in Russia have been successfully carried out reforms and existing requirements for a number of commercial organizations on the preparation of financial statements in accordance with international financial reporting standards (IFRS). The article shows that the accounting system in the Russian Federation for the period of market reforms has undergone significant changes, and the basic steps of the translation of the Russian system of accounting and reporting in IFRS format. The article identified and grouped the main problems of further development of Russian accounting and reporting. Showing difficulties that do not allow to apply international standards in full, as well as proposed solutions to these problems. As one of these solutions to the identified problems proposed structure of the conceptual foundations of accounting (financial) statements of the private sector of the Russian Federation, the sequence recommended approval of federal accounting and reporting standards for commercial organizations in Russia.

Keywords: International Financial Reporting Standards, Russian Accounting System, A Commercial Organization

JEL Classifications: F37, F38, G10

1. INTRODUCTION

Over 20 years, Russian lawmakers seek to transform the Russian system of accounting and reporting in accordance with international, which is more advanced in the context of contemporary economic globalization trends.

In today’s world accounting is an information platform for the development of strategic and tactical management decisions of commercial organizations, accounting for about 75% of the economic information (Duvanskaya and Sverchkova, 2015). All these factors determined as priorities the development and adoption of effective national standards of accounting and reporting, which should be compatible with international standards. “Russia, the task of putting the accounting reform should ensure that the financial information could be used not only in the domestic market, but also internationally” (Plotnikov and Plotnikova, 2015).

Despite these active processes applications by Russian commercial companies of certain provisions of international financial reporting standards (IFRS) for the past two decades, and the fact that their formal introduction since the beginning of 2012, by virtue of the prevailing national accounting traditions and mentality of Russian experts in the field of accounting and reporting IFRS implementation occurs quite difficult and controversial (Duvanskaya et al., 2015).

The starting point for the reform of the Russian system of accounting and reporting in accordance with IFRS can be considered a Government Decree of 06.03.1998 No. 283 “on approval of the accounting reform program in accordance with the IFRS.” In this document, for the first time it highlighted the key areas to bring the national accounting system in accordance with IFRS for next stages:

1. Improving of the normative legal regulation;
2. The formation of normative base (standards);

3. Methodological support (instructions, methodical guidelines, comments);
4. Personnel provision (formation of the accounting profession, training and development of accounting professionals);
5. International cooperation (entry and active work in international organizations; cooperation with national organizations responsible for the development of accounting standards and regulation of the relevant activities).

“Concept of development of accounting and reporting in the Russian Federation in the medium term,” adopted in 2004, defined the stages of transition to IFRS.

The first stage was designed for 2004-2007 years. The second stage was designed for 2008-2010 years.

In 2010, the Federal Law No. 208-FZ “on consolidated financial statements” dated July 27, 2010. This law established the requirements for the preparation and publication of the consolidated financial statements in accordance with IFRS for credit, insurance and other organizations whose securities are admitted to trading on stock exchanges and all the organizations that make up the consolidated financial statements in accordance with Russian legislation or constituent documents.

RF Government resolution dated 25.02.2011 number 107 “on approval of the regulations on the recognition of IFRS and Interpretations are IFRS for use in the Russian Federation” established the procedure for phased entry into force of the recognized IFRS documents:

- I stage - The voluntary application in a timely document, but not before its publication,
- II stage - The mandatory application in the terms defined in this document.

If absence in the document IFRS term and (or) the order of the entry into force or its recognition - for use in the Russian Federation after the date specified in it - from the day of its official publication.

Regulations governing the transition to IFRS, including the principles, methods, approaches, tools, techniques and methods of accounting, are still not fully implemented in practice. All this is the basis for serious research, preparation of methodological and practical developments in order to ensure the reporting process in accordance with IFRS.

2. THE MAIN PART

Although Russia has entirely stands in the way of transition to IFRS, but the Russian commercial organizations are faced with certain difficulties that do not allow to apply IFRS in full.

The main problems of the application of IFRS, as well as recommendations to address them are shown in Table 1 (Kokaeva et al., 2015).

Proceeding from the formulated problems, as well as recommendations for their elimination, we developed an algorithm

for constructing systems of financial reporting according to IFRS for commercial organizations, which is shown in Figure 1.

Scientists Bogataya and Estaf’eva rightly point out that the financial statements of Russian commercial organizations is less and less possible to realize its main purpose, because its economic essence of this reporting and accounting continues to be a retrospective, which greatly hinders its positioning as a financial (Bogataya and Evstaf’eva, 2013).

Scientists have long been debating about transition to IFRS. This is clearly evidenced by the various points of view of Russian scientists on the issues of further development of the national accounting problems (Get’man, 2012). There is a point of view on this issue can be grouped into three groups of problems shown in Table 2.

All of the views and opinions of scientists indicate the presence of multiple, diverse problems of modern Russian system of accounting and reporting in the transition to IFRS that affect various spheres of normative regulation.

The basic principles underlying the formation of IFRS are described in the conceptual bases of financial reporting (conceptual bases of financial reporting. URL: <http://www.minfin.ru>). This document was developed by the IFRS. “Konceptual’nye osnovy finansovoj otchetnosti” install a general approach, principles, rules of preparation of financial statements to the outside users “to allow their application to a range of accounting models and concepts of capital and capital maintenance of magnitude” (Serebryakova, 2014).

Figure 1: An algorithm for constructing the financial accounting system and international financial reporting standards management

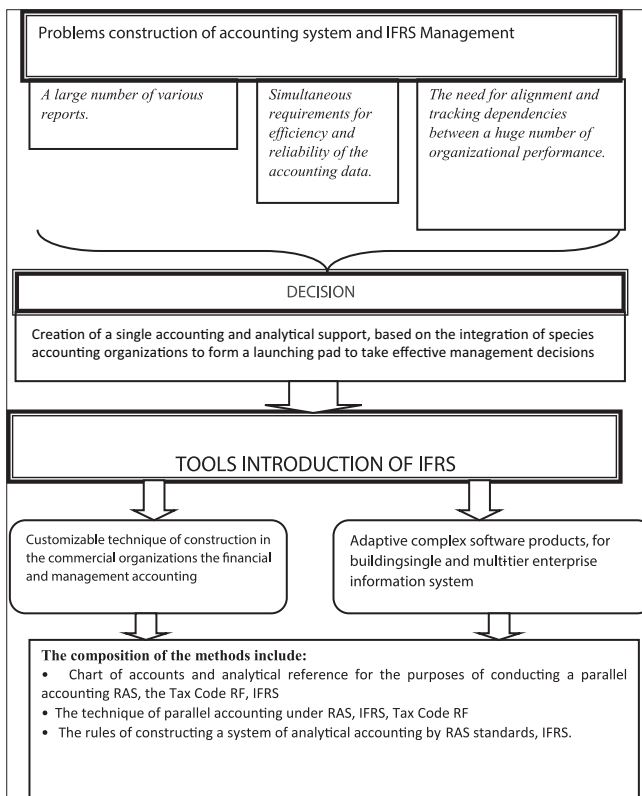


Table 1: The main problems of the application of IFRS in Russia and recommendations to address them

The main problems of the application of IFRS	Recommendations to address the main problems
The difficulty for the understanding of the original text and the translated standards imposed for the use of Russian companies, the Ministry of Finance (in view of their direct transfer, without explanations of new concepts to domestic experts)	Develop a road map for the transition and popularization of the application of IFRS and advanced training of specialists in international reporting on the state level
The absence of generalization and analysis of good practice in the application of IFRS by Russian companies, as well as clarification and comments to the Ministry of Finance standards	Compilation and analysis of good practice in the application of IFRS by Russian companies, adapting foreign experience of IFRS both at the state level in general and the positive experience of foreign companies
High cost of education for international certificates in accordance with IFRS	Development of opened a wide range of training programs and training on IFRS, state-supported and recognized at the international level
Lack of qualified personnel, as from position of employers as well as from the perspective of the client company under IFRS services	Improving the status of the profession through professional competitions, the creation of highly qualified specialists in accordance with IFRS ratings
The absence of the body that regulates the process of implementation of IFRS, which creates legal problems of implementation of standards related to legal recognition of IFRS	Establishment of a special body for the implementation of IFRS technical translations of texts and their timely renovation. It is important to organize the work. Changed standards should in the time reach up to users and do not dwell on the stages of the review and approval

IFRS: International financial reporting standards

Table 2: Review of problems of reforming the Russian system of accounting and reporting in accordance with IFRS by Russian scientists

Authors	Point of view	A source
1 set of problems - Conceptual problems of reforming the accounting and financial reporting Bogataya and Evstaf'eva	Implementation of comprehensive measures to improve the current system of accounting and reporting	Bogataya I.N., Evstaf'eva E.M. (2013), Issledovanie sovremennykh tendencij razvitiya buhgalterskogo ucheta i otchetnosti v Rossijskoj Federacii. <i>Mezhdunarodnyj Buhgalterskij Uchet</i> , 25, 2-17
Get'man	Search problems reserves improve accounting and reporting	Get'man, V.G. (2012), Rezervy sovershenstvovaniya buhgalterskogo ucheta i otchetnosti kommercheskih organizacij v Rossii. <i>Mezhdunarodnyj Buhgalterskij Uchet</i> , 41, 22-34.
Chaadaev and Chadin	Conceptual problems of reforming the national accounting and financial reporting	Chaadaev, S.G., Chadin, M.V. (2008), Conceptual problems of reforming the national accounting and financial reporting in the Russian Federation. <i>Economics, Taxes and Law</i> , 2, 121-5
2 set of problems - Transition to IFRS by various business entities Kravchenko and Myalkina	The development of accounting regulations for small businesses	Kravchenko, M.V., Myalkina, A.F. (2015), Problems of methodical and standard and legal regulation of accounting at small enterprises in the Russian federation. <i>Social-Economic Phenomena and Processes</i> , 10 (4), 48-54
Savel'eva	Questions to reflect information about the insurance reserves in the financial statements under IFRS insurers	Savel'eva, O.V. (2013), Problems recording information on insurance reserves of insurers in the financial statements under IFRS. <i>Management of Economic Systems: Scientific Electronic Journal</i> , 4 (52), 5
Ilysheva et al.	The problems of transition to IFRS to credit institutions	Ilysheva, N.N., Kuzubov, S.A., Neverova, O.S. (2008), Klassifikacija problem adaptacii sistemy buhgalterskogo ucheta kreditnyh organizacij k mezhdunarodnym standartam finansovoj otchetnosti. <i>Finansy I Kredit</i> , 18 (306), 2-7

IFRS: International financial reporting standards

The official Russian translation of this document has been approved and published on the website of the Ministry of Finance of the Russian Federation of 06.09.2014. "Konceptual'nye osnovy finansovoj otchetnosti" not part of the IFRS documents and do not establish valuation norms or disclosure of information. Nothing in this document does not prevail over the rules of IFRS, as they can-not replace the individual requirements of the standard. However, based on these new standards are being developed and improved existing ones.

In the "Konceptual'nyh osnovah finansovoj otchetnosti" includes the following topics: Purpose financial statements; the qualitative characteristics of useful financial information; definitions, principles of recognition and approaches to the evaluation of elements from which financial statements are prepared; concepts of capital and the maintenance of equity.

The main objective of financial statements in accordance with IFRS is to provide useful to investors and other creditors in their

Table 3: The structure and content of the conceptual foundations of the financial statements

Project structure standard “conceptual bases of accounting and reporting in the sector of public administration”	Recommended structure of the project “conceptual bases of accounting (financial) statements of the private sector in the Russian Federation”
I. General provisions	I. General provisions
II. Requirements to the information contained in the accounting (financial) statements of public sector entities	II. The qualitative characteristics of the information contained in the accounting (financial) statements of private sector entities
III. Elements of accounting	III. Elements of accounting
IV. Evaluation elements of the accounting (financial)	IV. Methods for evaluating the elements of the accounting (financial)
V. Basic principles (assumptions) the preparation of accounting (financial) statements of general purpose	V. Basic principles (assumptions) the preparation of accounting (financial) statements
VI. The basic accounting rules	VI. The basic accounting rules
VII. Documentation of operations of the public sector entities	VII. Documenting the facts of the commercial organization of economic life
VIII. Registers of accounting	VIII. Registers of accounting
IX. Keeping of documents and accounting registers	IX. Keeping of documents and accounting registers
X. Inventory of property and liabilities	X. Inventory of property and liabilities
XI. The application of the conceptual foundations of public sector accounting and reporting	XI. The application of the conceptual foundations of accounting (financial) reporting in the private sector

decisions for the organization’s resources. Based on the wording of the basic objective of financial statements prepared under IFRS, it should be noted that the orientation of the product to those users reporting that provide financial resources to commercial organizations and carry the greatest risks (Anik’eva et al., 2014).

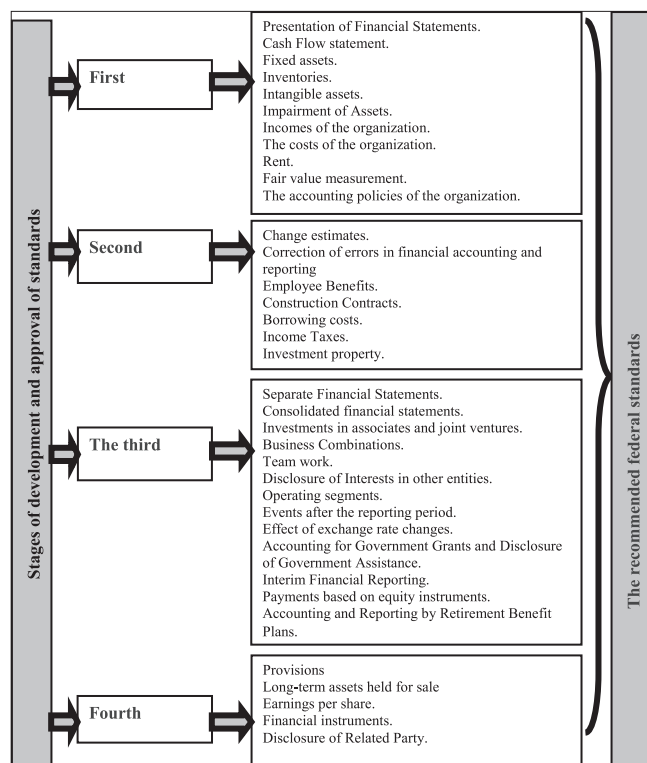
In our opinion, the main problem in the field of improvement of the Russian accounting and financial reporting is the lack of developed and approved the concept of building a system of regulatory accounting and financial reporting. This concept should define: The general conceptual accounting provisions (fundamental assumptions and basic accounting principles) as well as the conceptual basis of accounting and financial reporting (reporting elements, methods of assessment, a set of reporting requirements; qualitative characteristics of accounting information).

Project structure standard conceptual bases of accounting and reporting in the sector of public administration (Proekty federal’nyh standartov buhgalterskogo ucheta sektora gosudarstvennogo upravlenija: Oficial’nyj sajt Minfina Rossii. URL: <http://www.minfin.ru>), as well as the recommended structure of the project “conceptual bases of accounting (financial) statements of the private sector in the Russian Federation” the recommended structure shown in Table 3.

On the website of the Russian Ministry of Finance posted a draft sequence of the approval of the federal standards for government entities. Recommended Steps should be taken as the basis for developing a program of formation of federal standards for the private sector. Recommended steps for the development of federal standards of accounting and reporting used in the creation of standards for the development of programs for the private sector, are shown in Figure 2.

In accordance with the list of the IFRS standards as well as current regulations on accounting Russian accounting standards, recommended sequence of development and approval of federal standards of accounting and reporting for business entities in the Russian Federation, under the previously selected stages are presented in Table 4.

Figure 2: The recommended procedure for the approval of the federal standards



Thus the analysis of the current system of regulatory accounting and the formation of the accounting (financial) reporting in the Russian Federation shows that further development and improvement of accounting and reporting is possible only if the creation of a unified, consistent regulatory framework of accounting and reporting based on IFRS.

3. CONCLUSIONS

Thus, the analysis of the current system of regulatory accounting and the formation of the accounting (financial) reporting in the Russian Federation shows that further development and improvement of accounting and reporting is possible only if

Table 4: The recommended federal accounting standards for the private sector, within the allocated stages (Druzhilovskaya and Druzhilovskaya, 2014)

The standards are intended for commercial organizations		
The recommended Russian federal standards	Corresponding RAS, RAS projects	Analogs in IFRS system
Presentation of financial statements	RAS "The accounting reporting of the organization" (RAS 4/99)	IFRS (IAS) 1 "Presentation of financial statements"
Statement of cash flows	RAS "Statement of cash flows" (RAS 23/2011)	IFRS (IAS) 7 "Statement of Cash Flows"
Property, plant and equipment	RAS "property, plant and equipment accounting" (RAS 6/01)	IFRS (IAS) 16 "Property, Plant and Equipment"
Inventories	Project RAS "property, plant and equipment" RAS "Accounting of inventories" (RAS 5/01) Project RAS "Accounting of inventories"	IFRS (IAS) 2 "Inventories"
Intangible assets	RAS "Intangible assets" (RAS 14/2007) RAS "Accounting spending for Research and development" (RAS 17/02)	IFRS (IAS) 38 "Intangible assets"
Impairment of assets	-	IFRS (IAS) 36 "Impairment of assets"
Incomes	RAS "Incomes" (RAS 9/99) Project RAS "Incomes"	IFRS (IAS) 18 "Revenue"
Expenses	RAS "Expenses" (RAS 10/99)	-
Leases	Order of the Russian Finance Ministry of 17.02.1997 № 15 "Guidelines of the reflection in the accounting of leasing operations under the contract" Project RAS "accounting for leases"	IFRS (IAS) 17 "Leases"
Fair value measurement	-	IFRS (IFRS) 13 "Fair value measurement"
Accounting policies, changes in accounting estimates and errors.	RAS "accounting policies" (RAS 1/2008) RAS "Change estimates" (RAS 21/2008) RAS "correction of errors in accounting and reporting" (RAS 22/2010)	IFRS (IAS) 8 "accounting policies, changes in accounting estimates and errors"
Employee benefits	Project RAS "employee benefits"	IFRS (IAS) 19 "employee benefits"
Construction contracts	RAS "construction contracts" (RAS 2/2008)	IFRS (IAS) 11 "construction contracts"
Borrowing costs	RAS "accounting for expenses on loans and credits" (RAS 15/2008)	IFRS (IAS) 23 "borrowing costs"
Income tax	RAS "accounting income tax" (RAS 18/02)	IFRS (IAS) 12 "income tax"
Investment property	-	IFRS (IAS) 40 "investment property"
Consolidated and separate financial statements	-	IFRS (IAS) 27 "consolidated and separate financial statements"
Consolidated financial statements	Federal Law dated 27.07.2010 No. 208-FZ "on consolidated financial statements"	IFRS (IFRS) 10 "consolidated financial statements"
Investments in associates and joint ventures	RAS "accounting for financial investments" (RAS 19/02)	IFRS (IAS) 28 "investments in associates and joint ventures"
Business combinations	-	IFRS (IFRS) 3 "Business combinations"
Joint arrangements	RAS "Information on participation in joint arrangements" (RAS 20/03)	IFRS (IFRS) 11 "Joint arrangements"
Disclosure of interests in other entities	-	IFRS (IFRS) 12 "Disclosure of interests in other entities"
Operating segments	RAS "Segment Information" (RAS 12/2010)	IFRS (IFRS) 8 "Operating segments"
Events after balance sheet date	RAS "events after balance sheet date" (RAS 7/98)	IFRS (IAS) 10 "events after balance sheet date"
The effects of changes in foreign exchange rates	RAS "accounting for assets and liabilities denominated in foreign currencies" (RAS 3/2006)	IFRS (IAS) 21 "the effects of changes in foreign exchange rates"
Accounting for government grants and disclosure of government assistance	RAS "accounting for government aid" (RAS 13/2000)	IFRS (IAS) 20 "accounting for government grants and disclosure of government assistance"
Interim financial reporting	RAS "financial reporting" (RAS 4/99)	IFRS (IAS) 34 "interim financial reporting"
Share-based payment	-	IFRS (IFRS) 2 "Share-based Payment"
Accounting and reporting by retirement benefit plans	-	IFRS (IAS) 26 "accounting and reporting by retirement benefit plans"

(Contd)...

Table 4: (Continued)

The standards are intended for commercial organizations		
The recommended Russian federal standards	Corresponding RAS, RAS projects	Analogs in IFRS system
Provisions contingent liabilities and contingent assets	RAS “provisions contingent liabilities and contingent assets” (RAS 8/2010)	IFRS (IAS) 37 “provisions contingent liabilities and contingent assets”
Non-current assets held for sale and discontinued operations	RAS “information on discontinued operations” (RAS 16/02)	IFRS (IFRS) 5 “non-current assets held for sale and discontinued operations”
Earnings Per Share	Order of the Ministry of Finance of the Russian Federation No. 29n of March 21, 2000 “on approval of the recommendations on the disclosure of information about income per share”	IFRS (IAS) 33 “earnings per share”
Financial Instruments	RAS “accounting for financial investments” (RAS 19/02)	IFRS (IAS) 32 “financial instruments: Presentation.” IFRS (IAS) 39 “financial instruments: Recognition and Measurement.” IFRS (IFRS) 7 “financial instruments: Disclosures.” IFRS (IFRS) 9 “financial instruments”
Related party disclosures	RAS “information on related party” (RAS 11/2008)	IFRS (IAS) 24 “related party disclosures”

IFRS: International financial reporting standards, RAS: Russian accounting standards, IAS: International accounting standards

the creation of a unified, consistent regulatory framework of accounting and reporting based on IFRS.

Transforming information management system for accounting and financial (accounting) reporting should be based on the principle of incremental innovations in regulation, as well as the principle of transparency of information flows. Application of these principles in practice contributes to: The construction of a hierarchy of regulatory accounting and accounting (financial) reporting that meets the requirements of international standards, fit into the existing system of regulation, embodied in the law 402-FZ. This will contribute to an efficient and consistent system of accounting regulation; development and approval of “conceptual bases of accounting (financial) statements of the private sector in the Russian Federation,” as well as the federal standards of accounting and financial (accounting) statements for the private sector.

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