IFRS AND RAS: PROS AND CONS, FUTURE PROSPECTS

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DOI: 10.24411/2411-0450-2019-10419

Abstract. This article describes the differences between the Russian Accounting Standards and International Financial Reporting Standards from the point of view “substance over form principle”. Moreover, there are advantages and disadvantages of both accounting systems described as well. In the end of the article there is a discussion of benefits IFRS accounting system implementation.

Keywords: international financial reporting standards, russian accounting standards, reporting, accounting reports.

Globalization and integration processes are going on and on in the modern world, and the financial sphere is no exception. There are some similarities and differences in Russian accounting standards (RAS) and international financial reporting standards (IFRS) and they would be discussed further in this article.

According to national standards, the purpose of financial statements is to create a complete and reliable understanding of the financial position of the organization and changes in it, as well as a reflection of the financial performance of the organization. In IFRS the goal is to meet the information needs of a wide range of users to make economic decisions, which include real and potential investors, employees, lenders (lenders), suppliers and other trade lenders, buyers, governments and their bodies, the public. And as far as investors are lenders of capital for the company, their information needs will be put in priority.

Not that much time ago, Russian Accounting Standards (RAS) started to be used in parallel with the International Financial Reporting Standards (IFRS) for effective cooperation on the world stage.

It should be noted that for the Russian accounting system there are positive aspects as well as negative in terms of convergence with International Standards.

Positive aspects can be separated into internal aspects and external.

External aspect is that IFRS is transparable, more open and more informative. Moreover, reporting is designed to provide a more realistic picture of the challenges company is facing, presentation would be more accessible and useful in terms of reflection the information of it for the potential users.

There are two main internal reasons for the company to use IFRS:

1. Information, used for preparation of statements in more informative and objective. So it leads to the increase of effectiveness of managing an organization and its segments.
2. The discipline and responsibility improvement of business accounting services.

More than that the main economic factors that stimulate Russian organizations to implement IFRS, are:

– access to cheap investments to investment processes boost. This will allow Russian organizations to enter the international capital markets and, as a result, receive the necessary investments from foreign investors.

– growth of market capitalization. Shares of the major Russian organizations are undervalued in comparison to the shares of European companies, as far as they use different approaches in the financial reporting standards application.

The Russian accounting and reporting system has always had differences from foreign accounting by the total regulatory system implemented at the state level. Nowadays, the Russian accounting and reporting system is undergoing a period of adaptation. The basis of this adaptation is the convergence of the national system accounting with international financial reporting standards.
There are a number of external reasons when the preparation of financial statements under IFRS is extremely necessary:

– Foreign counterparties are considering the possibility of establishing long-term relationships or partnerships.
– Strategic investors have an interest in joint ventures creation.
– Company is going to be listed.
– Foreign companies are establishing a concessions with the local companies company.
– Local companies got an offer to make a collaboration with international investors.

The next difference, which I would like to highlight, is the reporting period and the reporting date. Russian regulatory documents clearly define the frequency of preparation of financial statements in the following way: the reporting year is the period from January 1 to December 31 of the calendar year, inclusive. A different reporting period is established only for newly created organizations. The reported date is the last calendar day of the reporting period (№ 12 of PBU 4/99) [3]. According to the rules of IFRS financial statements must be submitted at least annually. When, in exceptional circumstances, the company's reporting date changes, and the annual financial statements are presented for a period longer or shorter than one year, the company, in addition to the period covered by the financial statements, must disclose the reason for choosing a period other than one year and the fact that comparative amounts for income statements, changes in equity, cash flow and related notes are not fully comparable (№ 49 of IFRS 1) [1].

As for interim reporting, it is established in RAS that monthly and quarterly reporting is intermediate and is compiled cumulatively from the beginning of the reporting year (paragraph 3 of article 14 of the Law “On Accounting”) [6]. The organization must generate interim accounting statements no later than 30 days after the end of the reporting period (№ 51 PBU 4/99), which includes the balance sheet and income statement, unless otherwise specified, in particular, by the founders (participants) (№ 49 PBU 4/99). In IFRS, an interim period is a reporting period whose duration is less than a full financial year. Interim financial statements are financial statements containing a full package or set of abbreviated financial reporting forms (components) for an interim period.

IAS 34 Interim Financial Reporting specifies the minimum set of interim financial statements, which include a short balance sheet, a short income statement, a short cash flow statement, a short report on changes in equity, and notes to the financial statements [2]. Both IFRS and RAS formulate the main assumptions that the organization must take into account when making up financial statements and determining the main aspects of accounting policies. The Russian approach to the property isolation principle is that the assets and liabilities of an organization exist separately from the assets and liabilities of the owners of this organization and the assets and liabilities of other organizations (№ 6 PBU 1/98 “Accounting policy of the organization”).

In IFRS, the property isolation principle is not explicitly defined, but there is a suggestion the existence of an independent enterprise (enterprise group) for the purposes of financial reporting in principles of financial statements preparation. Even there is a formulated the assumption of a single economic (economic) unit, which is separate from its owners and other economic entities, what allows users of the reporting to be sure that in it financial indicators of the relevant economic unit, are isolated in terms of the financial indicators from other economic units.

The second striking difference is the admission of the temporal determination of the facts of economic activity. In RAS, the facts of the organization’s economic activities relate to the reporting period in which they have occurred, regardless of the actual time of receipt or payment of funds related to these facts (№ 6, PBU 1/98).

According to IFRS, the results of operations and other events are recognized when they are completed (on an accrual basis). They are reflected in the accounting records and are included in the financial statements of the periods which they refer to [4]. If we talk about the set of financial statements, then there is no definition of the form of accounting statements in the IFRS system, unlike
RAS. The reporting rule under the Russian legislation provides for the following financial statements: Balance Sheet; Income Statement; annexes prescribed by regulations; audit report confirming the accuracy of the organization’s financial statements in case it is the subject to mandatory audit in accordance with federal laws; Explanatory note. It is necessary to note the difference in terminology: international standards are the standards of financial reporting, while in Russian reality the process reporting is called accounting.

Therefore, according to IFRS, financial statements include the following components: Balance Sheet; Income Statement; a statement of changes in equity showing all changes in equity, or changes in equity other than transactions with shareholders, or a statement of cash flows; explanations, including significant provisions used in the financial statements accounting policies and other notes preparation.

So it can be mentioned, that in IFRS, unlike RAS, two options for presenting a report on changes in equity are provided: a report showing all changes in equity and a report that does not include operations with shareholders on capital contributions and dividend payments. In the Russian accounting regulation system, in contrast to IFRS, there is a requirement to prepare an Annex to the balance sheet (It is called in Russian Form №5), as well as a Report on the correct use of funds received (It is called in Russian Form №6). According IFRS they contain information is included in the explanatory notes to the financial statements. Also, IFRS does not establish a direct requirement for the mandatory inclusion in the financial statements of the audit report confirming the accuracy of the organization's statements. In the 21st century, the transition of a significant part of countries to IFRS has become a reality. International standards are well adapted to the conditions of a market economy, they are understandable to a large number of users around the world, and are also guarantors of the accuracy of the information provided.

Nowadays there is a tendency to transition to IFRS in Russian Federation, which is explained by the need to attract foreign investments in such a tough time. Transnational corporations have been using IFRS statements for a long time, while small and medium size enterprises still prefer to use national accounting standards. There are a number of differences between IFRS and RAS, associated with different interpretations of theoretical aspects, the purpose of reporting, the composition of documents included in the reporting, with reporting and interim periods, as well as with various assumptions, which makes the national accounting reports incomprehensible for potential foreign users. And from my point of view this is a good reason for a complete transition to IFRS in the near future.

Библиографический список

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МСФО И РСБУ: ПЛЮСЫ И МИНУСЫ, ПЕРСПЕКТИВЫ РАЗВИТИЯ

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Аннотация. В данной статье описываются различия между МСФО и РСБУ в плане подходов к составлению отчетности с точки зрения принципа приоритета содержания над формой. Кроме того, в данной статье описываются положительные и отрицательные стороны обеих систем учета и анализируются положительные факторы при переходе на МСФО.

Ключевые слова: международные стандарты финансовой отчетности, российские стандарты бухгалтерского учета, отчетность, бухгалтерская отчетность.