

THE RESULTS OF IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS IN UKRAINE: PROBLEMATIC ISSUES AND SOLUTIONS

Alla Ozeran, P.h.D., Associate professor, Doctoral student

State establishment of higher learning

“Vadym Hetman Kyiv National Economic University”
Ukraine

Abstract: In May, 2011 Verhovna Rada of Ukraine amended the law “On Accounting and Financial Statements in Ukraine”, according to which domestic enterprises, and foremost joint stock companies, banks, and insurance companies are obliged to prepare and present financial and consolidated statements in accordance with the International Standards of Financial Reporting (IFRS) from 1st January, 2012. One of the main problems of transition to IFRS is considered to be the short timeframe for their implementation. The paper presents research of the process of the reformation of the Ukraine’s system of accounting to generally accepted world principles and standards, necessitated by country’s independence gained in 1991, changes in the economic system and the country’s intention to be integrated into the European Union. The research provides main stages of reforms conducted, as well as results achieved on each stage; the article analyses and provides solutions to problems and difficulties connected with the implementation of the IFRS in Ukraine.

Key words: financial statements, International Standards of Financial Reporting

РЕЗУЛТАТИ ОТ ИМПЛЕМЕНТИРАНЕТО НА МЕЖДУНАРОДНИ СЧЕТОВОДНИ СТАНДАРТИ В УКРАИНА: ПРОБЛЕМИ И РЕШЕНИЯ

Доц. д-р Алла Озеран

Държавно учреждение за висше образование

Киевски национален икономически университет “Вадим Хетман”
Украйна

Резюме: През месец май, 2011 година Върховна Рада на Украйна внесе изменения в закона за Счетоводството и финансовите отчети в Украйна, по силата на който националните предприятия, големите акционерни дружества, банките и застрахователните компании се задължават да подготвят и представят финансови и консолидирани отчети в съответствие с Международните стандарти за финансово отчитане (МСФО) от 1-ви януари, 2012г. Един от основните проблеми на прехода към МСФО се смята краткият времеви период за имплементиране на стандартите. Настоящата статия представлява изследване на процеса за реформиране на украинската счетоводна система към общоприетите в света принципи и стандарти, наложен от придобиването на независимост на държавата през 1991 г., промените в икономическата система и намеренията на държавата за интеграция в Европейския съюз. Изследването представя основните етапи на проведените реформи, както и резултатите постигнати на всеки един от тези етапи. Статията прави анализ и предоставя решения на проблемите и трудностите свързани с въвеждането на МСФО в Украйна.

Ключови думи: финансови отчети, Международни стандарти за финансово отчитане

Introduction

The formation of Ukraine as an independent state in the beginning of 1990's and its entrance into the world community required significant structural changes in the economy, as far as large-scale reforms of accounting and financial systems, which is an indicator of the development of market economy and attractiveness of the national enterprises for foreign investors. For such purposes the Order of the President of Ukraine № 303 "On Ukraine's transition to internationally accepted accounting practice and statistics" from 23rd, May 1992 was issued.

"The development of international standards of accounting, reporting and control in Ukraine was declared together with formation of its independence" (Жук, 2010, p. 44).

Since then, a considerable amount of work on the adaptation of national legislation on accounting and financial reporting to the requirements of European law of market economies was conducted in Ukraine, and eventually the introduction of the IFRS in business practice took place (table 1, figure 1).

Table 1.

Timeline of making regulations to implement IFRS in Ukraine

Date	Legal act	Measures for implementation of international standards	Deadline
1	2	3	4
23.05.1992	Decree of President of Ukraine № 303 "On Ukraine's transition to generally accepted in international practice of accounting and statistics"	Develop and submit for approval by the Cabinet of Ministers of Ukraine of the Concept of development of national statistics of Ukraine, the State program of transition to international accounting system and statistics and suggestions for material, financial and staffing them	Trimester
04.05.1993	Decree of Cabinet of Ministers of Ukraine № 326 "On the concept of building national statistics of Ukraine and the State program of transition to international accounting system and statistics"	Implement international standards in accounting and reporting	1993-1995
14.06.1994	Agreement on Partnership and Cooperation between the European Community and Ukraine	Forthcoming of current and future legislation of Ukraine to the Community	From January the 1st 1998
28.11.1998	Decree of Cabinet of Ministers of Ukraine № 1706 "On approval of the program of reforming the accounting system of the International Standards"	Develop initial Guidelines (standards) and Chart of Accounts	November 1998 – June 1999
16.07.1999	Law of Ukraine № 996 "On Accounting and Financial Reporting in Ukraine"	The introduction of national guidelines (standards) of accounting as legal documents approved by the Ministry of Finance of Ukraine, which define the principles and methods of accounting and financial reporting that do not conflict with international standards	January the 1st 2000

14.08.2001	Decree of Cabinet of Ministers of Ukraine № 1046 "On approval of the implementation of key capital market development in 2001-2006"	To introduce international accounting standards and international standards of information disclosure by issuers whose securities are admitted to trading on organized markets, professional stock market, collective investment	During 2003
18.01.2003	Order of Cabinet of Ministers of Ukraine № 25-p "On approval of the implementation of the priority areas of corporate governance in joint stock companies"	Ensure the transition of joint stock companies to international accounting standards	2004-2005
18.03.2004	Law of Ukraine "On State Program for Adaptation of Ukraine to the European Union» № 1629-IV	Forthcoming of Ukraine accounting legislation identified priority sectors in accordance with point 51 from 14.06.1994	
10.04.2006	Decree of President of Ukraine № 300/2006 "Plan of priority measures in the sphere of insurance activity"	Ensure that the established order amending the legislation to implement international financial reporting standards for non-bank financial institutions and other entities	During 2006 till 2008 accordingly
24.10.2007	Decree of Cabinet of Ministers of Ukraine № 911-p "On approval of the strategy implementation of international standards of financial reporting in Ukraine"	1) Draft proposals to amend the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" on the application of international standards	IV quarter 2007
		2) Making an official translation and publication of international standards	IV quarter 2007 – 2009
17.09.2008	Law of Ukraine "On Joint Stock Companies" (regarding amending Law of Ukraine "On Securities and Stock Market")	Requiring additional disclosure about its activities based on international accounting standards in the manner prescribed by SCSSE, public joint stock companies	
02.12.2010	Law of Ukraine "On Amending Certain Legislative Acts of Ukraine in connection with the Tax Code of Ukraine" (regarding amending Law of Ukraine on Accounting and Financial Reporting in Ukraine ")	The right for the entity to determine feasibility of application of IFRS (unless the mandatory application of international standards defined by law)	January the 1 st 2011
12.05.2011	Law of Ukraine "On Amendments to the Law of Ukraine" On Accounting and Financial Reporting in Ukraine "	Setting the scope and the application of IFRS in Ukraine	January the 1st 2012

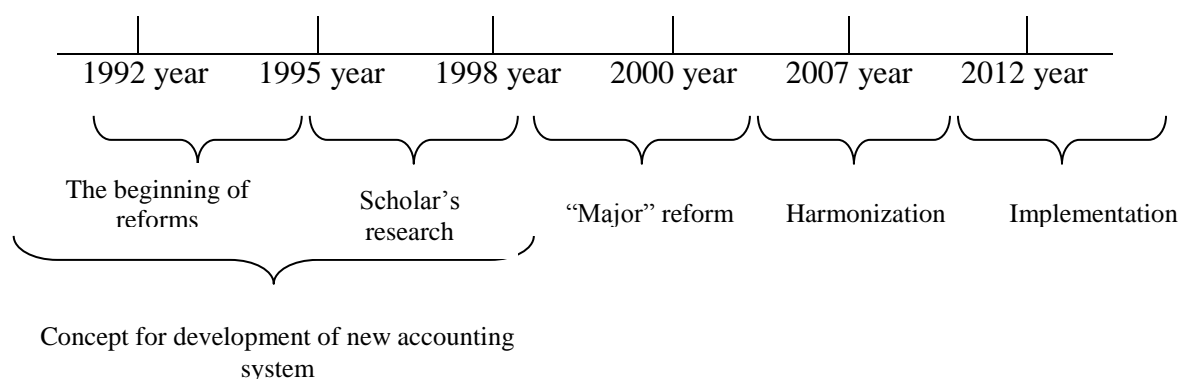


Figure 1. The process of IFRS implementation in Ukraine

Table 1 and Figure 1 show that during twenty years the problem of radical reform of accounting and financial reporting and leveling it as a deterring factor for the development of market economy and attracting foreign capital into the country.

The methodological foundation

The research contains period from 1992 till 2012: the period from Ukrainian state proclamation, when the state's government took the course towards conventional international practice of accounting and statistics, till the period of implementation of IFRS into the national legislation and enterprises' activities accordingly. The usage of historical method and method of theoretical generalization has helped in determination of main phases of the reforms that were conducted. Analysis and synthesis were applied in order to study the results achieved at each stage, and for to detection of problems and hardships, related with the IFRS implementation in Ukraine. Based on the dialectic approach, this study looks into major ways to achieve solutions of separate problems.

Informational foundation for the research consists of Ukrainian legislation for the last twenty years, scientific papers of Russian and Ukrainian academics, who made a huge contribution into development of Ukrainian accounting science.

Literature review

The processes of accounting reform, feasibility and ways of implementation of the IFRS and their impact on the national accounting system and economy as a whole still find reflections in the publications of scientists and leading experts of the area and are believed to be burning topics of conferences, symposiums, and round table meetings. The research papers done by S. Golov, G. Grachev, N. Horytska, O. Hubachova, S. Zubilevych, A. Kirsch, V. Kostyuchenko, L. Lowinska, V. Lastowecky, R. Lucko, I. Nazarbayev, E. Mnyh, V. Parkhomenko, A. Redko, A. Tverdomed, I. Chaly, M. Chumachenko, V. Shvets should be noted, which are devoted to theoretical and practical issues of implementation and adaptation of IFRS, the process of harmonization of national accounting standards with IFRS. However, a number of Ukrainian scientists - M. Belukha, A. Borodkin, F. Butynets, G. Kireytsev, V. Mossakovskyy - were active opponents of the reform.

The aim of the article is the retrospective analysis of the actions of governmental and non-governmental organizations, as well as scientists in Ukraine on introduction into the domestic economy of the international accounting and reporting standards; to define the results and key areas of adaptation of the financial statements of Ukrainian enterprises to the international standards.

Structure of the article

The article is structured in the way, that the reader can follow the main steps of the reformation of the accounting system in Ukraine. Firstly, the description of the beginning of the process of the reform of accounting and financial statement systems in Ukraine is presented. Secondly, a major accounting reform is elaborated upon. Thirdly and fourthly the periods of presentation and implementation of IFRS are considered. In the end the article will review the conclusion.

Results

1. The beginning of the reforming process of accounting and financial statement systems in Ukraine (1992-1998)

The process of restructuring of the accounting system to adhere to the international standards and the creation of a new regulatory framework of accounting has required a solution to this problem at the national level, because "existing at the time the regulatory basis of accounting does not fully meet the needs of practice, particularly in terms of privatization" (Голов, 2005. p. 5).

However, the first attempts to improve the legal framework have failed. The State program of transition to international accounting and statistics, which was approved by the Cabinet of Ministers № 326, and included a period of three years, the methodological framework of accounting and auditing in Ukraine was not executed.

At that time, regulation of accounting and financial reporting in Ukraine was carried out on the regulation level - these were approved by the Cabinet of Ministers of Ukraine on 03.04.1993, the Regulations on the organization of accounting and reporting in Ukraine № 250 (hereinafter - Regulation № 250), which stated that one of the main tasks of accounting was to provide complete and reliable information about business processes and the performance of enterprises and institutions. This is necessary for the operational management and general management; as well as its use by investors, suppliers, creditors, financial institutions, tax office, statistical organizations and banks as well as other interested bodies and organizations.

Given the numerous requests of academics and practitioners, in April of the mentioned year the Verhovna Rada of Ukraine adopted a decision on the necessity of the development and implementation of the Law "On Accounting". But the Cabinet of Ministers of Ukraine found it inappropriate at that time to take the law of accounting. This position the Cabinet was based on that "becoming the accounting and statistical reporting systems in accordance with international accounting and statistics" took place, and Regulation № 250 governed these issues (letter of 16.06.93 № 18-1268/4).

However, Ukrainian academics (A. Kuzminsky, M. Belukha, S. Golov, V. Efimenko, V. Sopko, V. Shvets, etc.) initiated the drafting of the law and the specified chart of accounts. Already in 1994, the Concept of National Chart of Accounts and the three structures of the Law on Accounting in Ukraine were designed and presented for the discussion. In 1995, a draft for the Law of Ukraine on Accounting was considered on first reading in the Verkhovna Rada of Ukraine, but after a short discussion it was sent for revision.

While exploring the development of accounting during the first years of independence of Ukraine, Professor S. Golov wrote: "... in 1995 the State program of reforming accounting was abandoned, this was reflected in the Presidential Decree "On measures to enhance the performance of the state statistics of Ukraine...". This decree has liquidated the Coordinating Council on the organization of Ukraine's transition to international accounting system and statistics, and major accounting and statistical center of the state was proclaimed the Ministry of Statistics of Ukraine" (Голов, 2005, p. 9).

2. A major accounting reform (1999-2000)

The real shift on the way from post-soviet accounting to accounting in accordance with generally accepted international standards of financial reporting took place only in 1998 with the adoption of Accounting Reform Programme of the International Standards (Cabinet of Ministers of Ukraine, 1998). After six years of long term debates and confrontations, on 16th July, 1999 the Law "On Accounting and Financial Reporting in Ukraine" (hereinafter - the Law) was adopted, which was "the result of multifaceted work and interaction between the legislative and executive branches of government, academics and associations of accountants ..." (Папхоменко, 1999, p. 7).

The law has established the general principles of organization of accounting in Ukraine according to national guidelines (standards) of accounting, which are harmonized in line with the IFRS, as well as determined by the subjects of regulation of accounting. In its report to the Verkhovna Rada of Ukraine I. Belousova highlighted that the law would allow to create "a real basis for the calculation of macroeconomic indicators on which the internal policy of Ukraine is built". (Білоусова, 1999, p. 3).

The progressiveness and revolution of the Law was proved by the introduction of new national accounting practice guidelines:

- 1) definition of the basic principles of the accounting and financial reporting;
- 2) diversity of forms of accounting in the enterprise;
- 3) opportunity to select the form of accounting;
- 4) the right of self-determination of accounting policies of the enterprise;
- 5) introduction of reporting forms, structure and content of which are generally consistent with international accounting standards;
- 6) requirement for disclosure of financial statements of public companies, enterprises - issuers of bonds, banks and financial institutions.

It should be noted that one of the initiators for the changes towards the introduction of the IFRS appeared to be the State Commission on Securities and Stock Exchange (SCSSE). The reason for this is that in September 1996 SEC became a member of the International Organization of Securities Commissions and signed a resolution, according to which participants of the market were required to prepare and present their financial statements in line with the International Accounting Standards.

An active position of implementation of the IFRS in Ukraine has taken the National Bank of Ukraine (NBU). From January 1st, 1998 the banking system of Ukraine, was the first one in the country who began the transition to the IFRS.

The Ministry of Finance of Ukraine played and continues to play a key role in the practical implementation of accounting reforms. Under the Programme of Reforming of Accounting and the Schedule of Development and Implementation of Guidelines (Standards) of Accounting, based on International Accounting Standards, which was approved by the Ministry of Finance of Ukraine on 01.12.1998, № 248, the transition of all entities of Ukraine, irrespective their method of incorporation, the mandatory application of national guidelines (standards) of accounting was proclaimed. The schedule anticipated the acceptance of 24 standards during 2000 - 2001¹.

34 national guidelines (standards) of accounting were adopted in Ukraine Recently. These standards were developed by the Methodological Council - the

¹ The adoption of national guidelines, which regulated the requirements for financial reporting procedures for preparation of basic reporting forms, was prior approval of the Accounting Law.

consultative body under the Ministry of Finance - which includes representatives of governmental bodies, professional accounting organizations, science and establishments of higher learning, as well as accounting practitioners².

The choice of accounting reform towards the harmonization with international standards is explained by the fact that "they reflect the market economy, have international recognition, formed on the basis of a compromises of accounting systems, which are used in countries with developed market economies, and allow the greater comparability of accounting -reporting information ..." (Пархоменко, 1998, p. 4).

Together with the development and implementation of the national guidelines (standards) of accounting, the process of development of the Chart of Accounts took place. The original concept of accounts was submitted by V. Shvets to the Methodological Council on 07.10.1998 and later underwent significant changes. The Chart of Accounts of assets, capital, liabilities and business operations of enterprises and organizations № 291 was approved by the Ministry of Finance of Ukraine on 30.11.1999. Enterprises had to use a new Chart of Accounts "in any prepared for the period since 2000" (Letter of the Ministry of Finance of Ukraine of 15.10.99, the № 18-19153).

In the review of publications on the mentioned topic Zubilevych S. wrote: "According to the most experts, the new Chart of Accounts is fulfilling its purpose, which is to help group accounting information in a breakdown required to prepare financial statements, and first of all Balance sheet and Statement of Financial Results» (Зубілевич, 2000, p. 51).

However, the stated principle of "do not conflict with the IFRS" was not reached. The reason for it is two-fold:

- attempts to take into account the old "soviet" accounting rules in order to facilitate the adaptation for accountants practitioners. For instance, the allocation of low value items as a separate element of the assets of the company;
- permanent change of individual IFRSs that were not always taken into account by Ukrainian legislators. For instance: the abolition of the LIFO method, changing the order of the capitalization of interest expense on bank loans, and funds, which are directed to create qualifying asset.

However, some Ukrainian academics noted, as a positive fact, that national Guidelines (Standards) are not copies of IAS, and during the process of reforming the accounting system, principles applied in the USSR combined with the international practice were used (Ластовецький, 2002, p. 36, Моссаковський, 2003, p. 14).

3. The Period of Harmonization of national Guidelines (standards) on Accounting in accordance to the IFRS (2001-2007)

The desire to become a member of the EU and later Ukraine's accession to the WTO led to further changes in system of accounting and financial reporting in Ukraine. "There is a growing influence on accounting in order to attract foreign capital through Ukraine's accession to the World Trade Organization and the European Community, the introduction of exchange trading, etc" (Моссаковський, 2009, p. 3).

Thus, in order to implement the Regulation of Cabinet of Ministers of Ukraine № 1046, SCSSE approved the Decision № 125 on June 2, 2002, according to which companies whose shares are listed, and professional securities market participants

² The Working Draft of the Law of Ukraine "On Accounting and Financial Reporting" (1994) predicted the development of national standards involving professional public organization - the Association of Accountants of Ukraine.

should prepare and present financial statements under international accounting standards during the years 2002-2003:

- 1) development of methods of transformation of financial statements prepared according to national standards of the financial statements under the IFRS;
- 2) development and preparation of methodological materials for training accountants for the presentation of financial statements under the IFRS;
- 3) development of requirements for audit reports for companies that must present reports as required by the IFRS;
- 4) seminars and conferences on the transition to the IFRS.

In addition, on November 8th, 2002 government and non-governmental organizations adopted the memorandum on the main directions of development of accounting in Ukraine, the use and improvement of regulations (standards) of accounting and disclosure in the financial statements of companies and organizations. The document envisaged the application of basic principles of IFRS for all Ukrainian enterprises. However, the proposition to set different requirements for disclosure of financial statements for different groups of companies, including their participation in operations in the capital markets, was made. Due to this, a division of enterprises into three main groups was anticipated (Table 2).

Table 2.

Disclosure requirements in different groups of enterprises

Level	Enterprises	Disclosure requirements
1	2	3
1	Companies whose securities are traded on the stock market, and enterprises in accordance with the legislation required to publish annual financial statements	for the financial and consolidated financial statements IFRS are applied
2	Companies that do not release into circulation of securities and required to publish annual financial statements	apply national guidelines (standards) of accounting
3	Enterprises - small business entities	simplified rules and procedures of accounting and financial reporting, including the possibility of valuation of assets at historical cost are applied ³

In order to execute the Decree of President of Ukraine № 300 "On urgent measures in investment activity" SCSSE's approved the Decision of 19.12.2006, № 1591 on Regulations on information disclosures by issuers of securities according to which these companies had to present financial statements of the quarterly and annual information under IFRS. However, all the above mentioned measures were postponed.

O. Petruk based survey of development of national accounting system, concludes: "...the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" implies that IAS can be used in Ukraine only indirectly, through publication on the basis of their national regulations in the field of regulatory accounting and reporting. By themselves IFRS for domestic firms and accountants do not produce any legal consequences. GAAP is purely voluntary, and vice versa, their non-use does not cause any legal consequences for businesses" (Петрук, 2005, p. 317).

It can be concluded that during 2001-2007 a number of regulations that provide for mandatory application of IFRS were Ukraine, especially for issuers whose

³ Unlike IAS 16 National Guideline (standard) 7 "Fixed assets" includes a model for major funds: the revalued amount. Enterprises are required to re-evaluate assets if their residual value at the date of revaluation significantly (more than 10%) different from their fair value.

securities are admitted to trading on organized markets. But the status of adopted regulations was not enough for practical implementation of their guidelines. The reason for that was the problem of methodological, organizational and psychological nature.

Methodological problems were connected with the necessity of deciding on the inclusion of norms on the mandatory use of IFRS in the national regulatory framework of accounting. Since 2003, there was a draft of appropriate amendments to the Law "On Accounting and Financial Reporting in Ukraine", which was hampered by the adoption by the political opposition.

Organizational problems, according to prof. L. Lowinska, consisted of a choice of the path of reform that is the search of answers to the question: who should carry out accounting reforms through the development and adoption of appropriate regulations, who should implement them in the daily practice of an accountant who should be responsible for the efficiency of this process? (Ловінська, 2007).

Psychological problems are related to difficulties of perception within the IFRS because of the existence of cultural barriers. Some scientists and most practicing accountants did not understand and do not understand the need for IFRS. The main reason for this lays in the limited cooperation of the majority of enterprises in Ukraine with foreign partners, financial institutions and stock. Also the formation of negative thoughts affect inconsistent policy of the state: a multiple change of terms of IFRS, not timely changes to existing legislation, lack of coordination between some government agencies and even some laws rules.

It should be noted separately, the transition to international standards in Ukraine was accompanied by heated debate in the scientific circles of the countries of the former Soviet Union. Along with the recognition of IFRS as a generalization of the best modern international practices in accounting (Щеглов, Яковишена, 2010), the objective inevitability (Терещенко, Марченко, 2011), an instrument of economic globalization and international economic relations (Войнаренко, 2010, p. 275), provision of transparency of financial data (Гуляев, Ветрова, 2004, p. 122), improvement of the investment climate in the country towards European integration, there were opposing views:

1. "To Copy the west – is not the way out of the situation in our science. Destroyed the former records for the holder, all science is now focused on the implementation of the IFRS, which gives nothing to the owner, but confusion in accounting for property and financial performance" (Бутинець, 2005, p. 22).

2. "The concept of accounting and financial reporting developed by the International Accounting Standards Board, focused on the needs of global enterprises. Its level of national productive forces; social, environmental, economic and legal relationship is not taken into account" (Кирейцев, 2007, p. 67).

3. "... Not the IFRS open doors to the world markets, and competitive products. Standards are not the entire systematic document, it does not disclose all the economic situation, do not solve the problems of unification of accounting" (Соколов, Каморджанова, Лычагин, 2007, p. 18).

4. "Mass implementation of IFRS observed in third world countries while the developed world is coming to this selectively and on the principles of adaptation. This is confirmed by the inability of IFRS not only to resist but also to prevent the global and national economic crisis" (Жук, 2010, p. 47).

The idea of integration of the IFRS was seen and perceived with skepticism and some practice: "As the transition to IAS, the real goal - the same as the introduction of National Guidelines (Standards). Under the specious pretexts it is propaganda of

achievements of Western accounting thought, which is also, incidentally, far from perfect” (Твердомед, Саливан, 2007, p. 24). The survey, which was conducted in 2005 among financial executives in Russia, showed that most CFOs believed that IFRS are "stupid fashionable gadgets" (gaap.ru). Similar opinions exist in Ukraine as well.

However, now Ukraine has made its choice in favor of the IFRS. Dugar argued: “The transition to IFRS facilitates the entry of Ukraine into the global economic community. Reform of accounting and financial reporting is a very important event in the economic life of the state” (Дырап, 2008, p. 173).

Among the major reasons of transition towards IFRSs are considered to be:

- 1) the availability of cheaper and significant financial resources;
- 2) expansion of export opportunities;
- 3) transparent and comprehensive information presented in financial statements;
- 4) strengthening the Ukrainian capital market and increasing its attractiveness;
- 5) enhance the protection of property rights and interests of shareholders, investors and creditors.

In our opinion, the main reason for this is compliance to generally accepted and understood rules of accounting and preparation of financial reporting.

4. IFRS – success in Ukraine (2008-2012)

The following economic reforms are taking place during 2010-2014: “Prosperous society, competitive economy, effective state”, Laws of Ukraine “On the National Program of Adaptation of Ukraine to the European Union”, and “Strategies for the implementation of international financial reporting standards in Ukraine, approved by Cabinet Ministers of Ukraine of 24.10.2007, № 911-r of May 22, 2011. The Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Amendments to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”. According to the Law all public companies, banks, insurers and companies that conduct economic activity on the types listed by the Cabinet of Ministers of Ukraine shall prepare financial statements and consolidated financial statements under the IFRS as of January 1, 2012. Other businesses have the opportunity to determine feasibility of the application of international standards during preparation of their financial statements (see Table 2). Along with changes to the Law, Resolution of the Cabinet of Ukraine of 30.11.2011, № 1223 took place, which identified the first reporting period under IFRS for listed companies (Table 3).

Table 3.

First reporting period and the date of transition to IFRS for different entities

The entity	Date of transition to IFRS	The first reporting period under IFRS	The first financial statements under IFRS
1	2	3	4
Public corporations, insurers	01.01.2011	01.01.2012 – 31.12.2012	As of 31.12.2012
	01.01.2012	01.01.2013 – 31.12.2013	As of 31.12.2013
Banks	01.01.2011	01.01.2012 – 31.12.2012	As of 31.12.2012
Companies that carry out activities in the field of financial services, except insurance and pension and private pensions	01.01.2012	01.01.2013 – 31.12.2013	As of 31.12.2013
Enterprises engaged in supporting activities in the areas of financial services and insurance	01.01.2013	01.01.2014 – 31.12.2014	As of 31.12.2014

However, the transition towards IFRS is accompanied by certain difficulties, which are being gradually overcome.

Firstly, the availability of free access for all businesses to the translation of the IFRS into the national language. Since 1997, the professional organization – The Federation of Professional Accountants and Auditors of Ukraine – got the permission of the International Accounting Standards Board for the translation and publication of the IAS / IFRS. Since the introduction of the IFRS into the legal field of Ukraine, functions of the main coordinator of the process of implementation of the IFRS are given to the Ministry of Finance of Ukraine; on its official website an electronic version of the standards in Ukrainian is posted. This Law provides a norm, according to which financial statements must use international standards if they are "officially published on the website of the Ministry of Finance of Ukraine." But this requirement makes businesses dependent on the timely translation of standards and on their complete placement on the website of the Ministry of Finance.

But then a number of positive steps that were undertaken by the Ministry of Finance last year should be mentioned: the revitalization of the work of the Council of IAS in order to participate in the discussion of drafts of new IFRS's and amendments to those, receipt of additional learning materials, the introduction of a public Internet resource (<http://msfz.minfin.gov.ua>), which will provide timely and useful information about the IFRS, as well as legal aspects and practical application of the IFRS in Ukraine, but also enable interactive communication on a public forum.

Secondly, the inconsistency of terminology. "Terminology of the IFRS and Ukrainian Accounting Standards is not only methodological, that is due to differences in interpretation of accounting objects and methods of accounting, but purely linguistic differences" (Бурай, 2011, p. 64).

Thirdly, the training of specialists proficient in the IFRS, has been one of the most important tasks of the accounting reform. With the support of international organizations (USAID, TACIS EU and others), during all the years of reform numerous free educational programs, seminars and conferences were held in Ukraine. The project produced a variety of teaching materials. The range of professional accounting education and training on IFRS, which is now available in Ukraine, includes certification programs (ACCA, DipIFRS, CIPA), professional trainings, seminars and training courses on the IFRS in higher education institutions.

But despite of numerous educational activities, the number of accountants with appropriate qualifications in accounting (including IFRS) is insufficient, leading to "permanent increase in costs to attract qualified professionals and auditors" (Чирко, 2009, p. 341). Preparation and presentation of financial reports by auditing companies (normally by the "Big Four") violate the principles of ethics.

Fourth, lack of understanding of the process as global phenomena, first of all, by owners and business leaders. So far, preparation of financial statements of high quality finds its interest in companies that: 1) are subsidiaries of foreign companies; 2) aim to get cheaper external funding than available in Ukraine; 3) seek to enter international stock markets.

Users of financial statements in the domestic market are not ready to use its information. According to existing regulations of the financial reporting in Ukraine's regulatory authorities: State Office of Statistics, State Tax Service, the State Commission on Securities and Stock Exchange and the National Bank of Ukraine, are primarily interested in deadlines and submission of reports. Low official responsibility for improper financial reporting causes superficial attitude, which is reflected in the accounting operations. S. Kuznetsova said: "The absence of effective market

mechanisms and stock in Ukraine ... may distort accounting information given the lack of clear regulation of the provision” (Кузнецова, 2011, p. 227).

It should be noted that today national differences in Guidelines (Standards) on Accounting from the IFRS exists, but they are irrelevant, since the former are in a dynamic and periodically reviewed for compliance with the latter. However, the movement of Ukrainian companies towards IFRS is quite challenging. Strong impact of tax law caused a prevailing tradition of recording the form over its substance, which leads to the incorrect reflection of operations and a violation of not only IFRS principles, but also of the Law on Accounting. This problem is of two-sided nature; on the one hand, the Tax Code of Ukraine, adopted on December 2nd, 2010, contains a norm under which taxpayers applying International Financial Reporting Standards "shall keep records of income and expenditure for the following standards with regard to the norms of this Code." With regards to applying this rule, it would be impossible to prepare the financial reporting under the IFRS.

On the other hand, in order to facilitate their work and minimize the tax differences, accountants do not always select the most rational method of accounting in this case the only criterion that would work is compliance.

In addition to these, there are the following conceptual problems associated with the implementation of IFRS in Ukraine, which has to be solved on both the state and the local level.

One of the current unresolved issues is definition of the format of reporting under the IFRS. In Ukraine, the financial statements are clearly regulated; forms of financial statements are approved by the Ministry of Finance with approval of the Ministry of Statistics, which is one of its main users. Thus, there is a problem in synthesis of the information contained in the reports produced by the State Statistics Office for the purposes of determination of macroeconomic indicators. The whole system of statistics requires changes, which is largely based on data from financial reporting.

The Ministry of Finance of Ukraine by its Order of December 9, 2011 № 1591 attempted to solve this problem – the usage of standardized forms was allowed, except form number 5 “Notes to the annual financial statements” and the form number 6 “Annex to the notes to the annual financial statements” ticking “compiled from international financial reporting standards”. But the name and structure of reports according to the national standards does not fully comply with the IFRS. “... Any uniform reporting makes it impossible to take into account industry and other features of the enterprise and realize the principle of materiality, which requires selection of appropriate approaches to the structure and content of financial statements” (Голов, 2012, p. 11).

Thus, we believe companies should have the right to choose the format and structure of reporting, given by the requirements of IAS 1 and with a minimum list of requirements to its structure. Prof. S Golov (2006) proposed the establishment of legal standards for annual reports, which would contain statistical, financial, social and environmental information. According to prof. Golov it is appropriate to limit only generalized parameters of this statistical information (cost of items, fixed assets, etc.), which is necessary for management at the macro level, and preparation of financial information, that is based on the needs of a wide range of users using the classification of fixed assets, inventories, etc.

The second “critical” problem that must be solved immediately at the state level, is the presentation of annual financial statements to the bodies of state statistics and State Tax Service to 9 February following the reporting year, in accordance with

Order number 419, can significantly affect the quality or result of implementation of the IFRS. The deadline of the publication of the general purpose financial statements under the IFRS should be determined on April 30 the year following the reporting month.

To ensure the implementation of the IFRS it is important to establish a mechanism for monitoring of their compliance. Certainly, with regard to this the biggest responsibility lies with auditing firms. However, control over the observance of international financial reporting standards should be made by institutional bodies: National Commission on Securities and Stock Exchange, National Bank of Ukraine, and the State Commission for Regulation of Financial Services.

At the local level a problematic question of methods and techniques of the IFRS implementation directly in the enterprise still remains. To address the question of transferring of financial statements to IFRS the company can choose either a method of transformation or of conversion (parallel accounting). Restatement of national standards into IFRS's (transformation) contains the possibility of increased risk of errors due to human factors, due to the fact that this method usually involves the use of transformation tables, adjusting entries, settlements and more. Conversion (parallel accounting) provides accounting simultaneously in several models, which immediately raises the problem of double-data entry. In terms of reducing the errors and time to get the results reported parallel accounting is a more correct method. However, it is a more expensive method, because it requires a rebuilding of the entire accounting system that focuses on parallel records, staff training and purchase of additional software.

To avoid drawbacks of transformation or parallel accounting all enterprises should not only prepare financial statements under the IFRS, but also conduct of all current financial records under the international standards. Like conversion, this method involves the restructuring of the entire accounting system from the organization of document circulation, the need to purchase software products, supporting databases and the development of accounting policies and accounting techniques that comply with IFRS. Using this method can prevent the need to keep records in national standards, which ensures the fulfillment of the requirements of tax legislation.

Conclusions

Based on the research, five stages of the IFRS implementation in Ukraine and appropriate reform of the national accounting system were identified.

During the first phase (1992-1995), the first years of independence, Ukraine has established its own system of accounting and declared policy of the transition to international accounting standards and principles, which found embodiment in the state program that failed to realize this. As a result of increasing influence of tax laws, financial statements of hyperinflation remained unsuitable for analysis and decisions based on it.

In the years 1996-1998 (Phase II) a work to create the legal conditions and methodological reform of accounting using the IFRS was carried out in Ukraine. The initiative of drafting the Law on Accounting and Chart of Accounts was taken by the leading scientists of the country and a professional accountancy body (Federation of Professional Accountants and Auditors of Ukraine).

In 1999-2000 (third stage) the efforts of the governing bodies of state, academics and practitioners were focused on the development of national guidelines (standards) of accounting and financial reporting, which were harmonized with IFRS. The result of the implementation of guidelines (standards) based on the principles of

IFRS has become a new ideology of accounting and financial reporting in Ukraine. From 1 January, 2000 with the introduction of the law - "On Accounting and Financial Reporting in Ukraine" - has started a new era in Ukrainian accounting.

During the years 2001-2007 (fourth stage), the improvement of the new accounting system was carried out. At this time in Ukraine, a number of regulations that were provided for mandatory application of the IFRS, especially issuers whose securities are admitted to trading on organized markets. But the status of adopted regulations was not enough for practical implementation of their provisions.

The fifth stage (from 2008 till now) brought about the introduction of the IFRS in the legal field of Ukraine and continues its organizational and methodological improvements. This process is accompanied by a number of difficulties: low urgency such as reporting and its formality, inconsistent terminology, reporting formats and timing of its publication, the lack of qualified personnel and others.

Despite the problems outlined, it is evident that the introduction of IFRS in Ukraine is an important step for the development of corporate governance and the improvement of the quality and transparency of financial information that will create a better investment climate in the country.

Problems of implementation of the IFRS in practice most often occur not in the dimension of the difference between national and international standards, but in the dimension of the psychological differences between the usual relation to accounting and that required by international standards. Reporting under the IFRS will increase disclosure requirements that require considerable teaching resources in order to make changes to database systems and software, as well as changes in the functional role of financial services and other treatment services to its enterprise information. This means changing the mentality of the entire enterprise, from the point of view of understanding leadership. Today it is one of the main tasks of the state as a whole, as well as the involvement of researchers, consultants and specialists in this process. Remember that thoughtless, unreasonable and unexplained implementation of the IFRS only discredits it in the eyes of society.

References:

1. Bilousova I. Ukraïni potribni edini printsipi buhgaltersykygo obliku i zvitnosti (dopovidy na sesii Verhovnoi Radi Ukraïni, iz skorochennyam) / I. Bilousova // Buhgalterskyiy oblik i audit. – 1999. - № 6. – S. 3-6 [Білоусова І. Україні потрібні єдині принципи бухгалтерського обліку і звітності (доповідь на сесії Верховної Ради України, із скороченням) / І. Білоусова // Бухгалтерський облік і аудит. – 1999. - № 6. – С. 3-6]
2. Bugay I.V. Osnovni aspekty vprovadzhennya MSFZ v ukraïnsyky oblikovu praktiku / Bugay I.V. // Derzhava ta regioni: naukovy-virobnichiy zhurnal. Seriya: Ekonomika ta pidpriemnitstvo. - 2011. - № 1. – S. 62-68 [Бугай І.В. Основні аспекти впровадження МСФЗ в українську облікову практику / Бугай І.В. // Держава та регіони: науково-виробничий журнал. Серія: Економіка та підприємництво. - 2011. - № 1. – С. 62-68]
3. Butinetsy F. Shte raz pro buhgalterskyiy oblik yak nauku // Buhgalterskyiy oblik i audit. - 2005. - №10. - S. 20-29 [Бутинець Ф. Ще раз про бухгалтерський облік як науку // Бухгалтерський облік і аудит. - 2005. - №10. - С. 20-29]
4. Buhgalterskiy uchet: problemay i metoday izucheniya i obucheniya. Monografiya / Ya.V. Sokolov, N.A. Kamordzhanova, M.V. Laychagin. – Novosibirsk: IEOPP SO RAN, 2007. – 288 s. [Бухгалтерский учет:

- проблемы и методы изучения и обучения. Монография / Я.В. Соколов, Н.А. Каморджанова, М.В. Лычагин. – Новосибирск: ИЭОПП СО РАН, 2007. – 288 с.]
5. Voynarenko M. P. Mizhnarodni standarti finansovoї zvitnosti ta auditu: [navch. posib] / Voynarenko M. P., Ponomaryova N. A., Zamaziy O. V. – K.: Tsentr uchbovoї literaturi, 2010. – 488 s. [Войнаренко М. П. Міжнародні стандарти фінансової звітності та аудиту: [навч. посіб] / Войнаренко М. П., Пономарьова Н. А., Замазій О. В. – К.: Центр учбової літератури, 2010. – 488 с.]
 6. Golov S. Retrospektivniy poglyad na reformuvannya buhgaltersykyogo obliku v Ukraїni. Antimifologiya / S. Golov // Buhgaltersykyi oblik i audit. - 2005. - № 11. - S. 5-10 [Голов С. Ретроспективний погляд на реформування бухгалтерського обліку в Україні. Антиміфологія / С. Голов // Бухгалтерський облік і аудит. - 2005. - № 11. - С. 5-10]
 7. Golov S. MSFZ u Zakoni / Golov S.F. // Buhgaltersykyi oblik i audit. - 2011. - № 9. - S. 3-8 [Голов С. МСФЗ у Законі / Голов С.Ф. // Бухгалтерський облік і аудит. - 2011. - № 9. - С. 3-8]
 8. Golov S. MSFZ Ukraїni: shlyahom sprob i pomilok / Golov S.F. // Buhgaltersykyi oblik i audit. - 2012. - № 3. - S. 3-12 [Голов С. МСФЗ України: шляхом спроб і помилок / Голов С.Ф. // Бухгалтерський облік і аудит. - 2012. - № 3. - С. 3-12]
 9. Gulyaev N.S., Vetrova L.N. Osnovnaye modeli buhgalterskogo ucheta i analiza v zarubezhnykh stranah: Uchebnoye posobie. – M.: KNORUS, 2004. – 144 s. [Гуляев Н.С., Ветрова Л.Н. Основные модели бухгалтерского учета и анализа в зарубежных странах: Учебное пособие. – М.: КНОРУС, 2004. – 144 с.]
 10. Dugar T.Є. Problemi ednosti mizhnarodnih ta natsionalnykh polozheny obliku / Dugar T.Є. // Ekonomichniy prostir. – 2008. - № 11. - S. 170-178 [Дугар Т.Є. Проблеми єдності міжнародних та національних положень обліку / Дугар Т.Є. // Економічний простір. – 2008. - № 11. - С. 170-178]
 11. Zubilevich S. Oglyad publikatsiy u profesiyniy sferi shtodo reformi buhgaltersykyogo obliku v Ukraїni / S. Zubilevich // Buhgaltersykyi oblik i audit. - 2000. - № 8. - S. 50-65 [Зубілевич С. Огляд публікацій у професійній сфері щодо реформи бухгалтерського обліку в Україні / С. Зубілевич // Бухгалтерський облік і аудит. - 2000. - № 8. - С. 50-65]
 12. Zhuk V.M. Reformuvannya buhgaltersykyogo obliku ta zvitnosti: stan ta perspektivi [Elektronniy resurs] - Rezhim dostupu: <http://magazine.faaf.org.ua/content/view/29/35/> [Жук В.М. Реформування бухгалтерського обліку та звітності: стан та перспективи [Електронний ресурс] - Режим доступу: <http://magazine.faaf.org.ua/content/view/29/35/>]
 13. Zhuk V.M. Mifi vitchiznyanogo buhgaltersykyogo obliku / V.M. Zhuk // Zbirnik naukovih pratsy Vinnitsykyogo natsionalynogo agrarnogo universitetu. Seriya: Ekonomichni nauki / Redkolegiya: Kaletnik G.M. (golovniy redaktor) ta inshi. – Vinnitsya, 2010. – Vipusk 5, tom 1. – 286 s. – S.44-48 [Жук В.М. Міфи вітчизняного бухгалтерського обліку / В.М. Жук // Збірник наукових праць Вінницького національного аграрного університету. Серія: Економічні науки / Редколегія: Калетнік Г.М. (головний редактор) та інші. – Вінниця, 2010. – Випуск 5, том 1. – 286 с. – С.44-48]

14. Kireytshev G.G. Globalizatsiya ekonomiki i unifikatsiya metodologii buhgalterskogo ucheta: [nauchnaya doklad na 6-oy Mezhdunarodnoy nauchnoy konferentsii «Nauchnye issledovaniya v sfere buhgalterskogo ucheta, kontrolya i analiza: teoretiko-metodologicheskoe znachenie i napravleniya dal'neyshogo razvitiya», Zhitomir, 18–19 oktyabrya 2007 g.] / G.G. Kireytshev – Zhitomir: ZHGTU, 2007. – 68 s. [Кирейцев Г.Г. Глобализация экономики и унификация методологии бухгалтерского учета: [научный доклад на 6-ой Международной научной конференции «Научные исследования в сфере бухгалтерского учета, контроля и анализа: теоретико-методологическое значение и направления дальнейшего развития», Житомир, 18–19 октября 2007 г.] / Г.Г. Кирейцев – Житомир: ЖГТУ, 2007. – 68 с.]
15. Kuznetsova S.A. Pidgotovka natsionalnoyi finansovoi zvitnosti za vimogami MSFZ: adaptatsiya pidhodiv / Kuznetsova S.A. // Ekonomichniy forum: Vipusk 4. – Lutsyk. - 2011 [Кузнецова С.А. Підготовка національної фінансової звітності за вимогами МСФЗ: адаптація підходів / Кузнецова С.А. // Економічний форум: Випуск 4. – Луцьк. – 2011]
16. Lastovetskiy V.O. Pro buhgaltersku nauku i praktiku // Vestnik buhgaltera i auditora Ukrainay. – 2002. - № 1-2. – S. 35-37 [Ластовецький В.О. Про бухгалтерську науку і практику // Вестник бухгалтера и аудитора Украины. – 2002. - № 1-2. – С. 35-37]
17. Lovinsky L. Derzhavne reguluvannya buhgaltersykogo obliku v Ukraini [Elektronniy resurs] / Lovinsky L. Dopovidy na Mizhnarodniy naukovopraktichniy konferentsii «Mizhnarodni standarti buhgaltersykogo obliku ta finansovoi zvitnosti: dosvid ta perspektivi vprovadzhennya v kraïnah perehidnoi ekonomiki». - Rezhim dostupu: <http://www.minfin.gov.ua/control/publish/article> [Ловінська Л. Державне регулювання бухгалтерського обліку в Україні [Електронний ресурс] / Ловінська Л. Доповідь на Міжнародній науково-практичній конференції «Міжнародні стандарти бухгалтерського обліку та фінансової звітності: досвід та перспективи впровадження в країнах перехідної економіки». - Режим доступу: <http://www.minfin.gov.ua/control/publish/article>]
18. Lyutova G.M. Garmonizatsiya finansovoi zvitnosti ukraïns'kikh pidpriemstv do mizhnarodnih standartiv / Lyutova G.M. // Visnik universitetu bankivskoi spravi Natsionalnogo banku Ukraïni. – 2008 (grudeny). - № 3 [Лютова Г.М. Гармонізація фінансової звітності українських підприємств до міжнародних стандартів / Лютова Г.М. // Вісник університету банківської справи Національного банку України. – 2008 (грудень). - № 3]
19. Mossakovskiy V.B. Pro perspektivi podalyshogo rozvitku buhgaltersykogo obliku v Ukraini // Buhgalterskiy oblik i audit. – 2003. - № 6. – S.10-20. [Моссаковский В.Б. Про перспективи подальшого розвитку бухгалтерського обліку в Україні // Бухгалтерський облік і аудит. – 2003. - № 6. – С.10-20]
20. Mossakovskiy V.B. Stan ta perspektivi rozvitku buhgaltersykogo obliku v Ukraini: [monografiya] / Mossakovskiy V.B. – K.: Interpres LTD; 2009. – 326 s. [Моссаковский В.Б. Стан та перспективи розвитку бухгалтерського обліку в Україні: [монографія] / Моссаковский В.Б. – К.: Интерпрес ЛТД; 2009. – 326 с.]

21. Parhomenko V.P. Pro reformuvannya buhgaltersykygo obliku v Ukraïni / V. Parhomenko // Buhgaltersykyi oblik i audit. – 1998. - № 10. – S.4-6. [Пархоменко В.П. Про реформування бухгалтерського обліку в Україні / В. Пархоменко // Бухгалтерський облік і аудит. – 1998. - № 10. – С.4-6.]
22. Parhomenko V.P. Zakonodavche zatverdzhennya buhgaltersykygo obliku / V. Parhomenko // Buhgaltersykyi oblik i audit. – 1999. - № 6. – S.7-8 [Пархоменко В.П. Законодавче затвердження бухгалтерського обліку / В. Пархоменко // Бухгалтерський облік і аудит. – 1999. - № 6. – С.7-8]
23. Petruk O. M. Garmonizatsiya natsionalnykh sistem buhgaltersykygo obliku: [monografiya] / O. M. Petruk. – Zhitomir: ZHDТУ, 2005. – 420 s. [Петрук О. М. Гармонізація національних систем бухгалтерського обліку: [монографія] / О. М. Петрук. – Житомир: ЖДТУ, 2005. – 420 с.]
24. Tereshtenko V.S., Marchenko Yu. I. Problemi vprovadzhennya Mizhnarodnih standartiv finansovoï zvitnosti v Ukraïni [Elektronniy resurs] – Режим dostupu: http://www.rusnauka.com/13_NMN_2011/Economics/7_86103.doc.htm [Терещенко В.С., Марченко Ю. І. Проблеми впровадження Міжнародних стандартів фінансової звітності в Україні [Електронний ресурс] – Режим доступу: http://www.rusnauka.com/13_NMN_2011/Economics/7_86103.doc.htm]
25. Tverdomed A., Salivan S. Vse na Balans // Biznes. – 2007. - № 50. [Твердомед А., Саливан С. Все на Баланс // Бизнес. – 2007. - № 50.]
26. Chirko D.M. MSFZ yak element vihotu na mizhnarodniy valyutniy rinok Foreks. Problemi teorii ta metodologii buhgaltersykygo obliku, kontrolyu i analizu / Chirko D.M. // Mizhnarodniy zbirnik naukovih pratsy. Vipusk 3(15). – 2009. – S. 338 -345. [Чирко Д.М. МСФЗ як елемент виходу на міжнародний валютний ринок Форекс. Проблеми теорії та методології бухгалтерського обліку, контролю і аналізу / Чирко Д.М. // Міжнародний збірник наукових праць. Випуск 3(15). – 2009. – С. 338 - 345.]
27. Shteglov O.P., Yakovishena N.A. Natsionalnyi ta mizhnarodni standarti z obliku zapasiv: vidminnosti, nedoliki, shlyahi garmonizatsii [Elektronniy resurs] – Режим dostupu: http://www.rusnauka.com/23_NTP_2010/Economics/70466.doc.htm [Щеглов О.П., Яковишена Н.А. Національні та міжнародні стандарти з обліку запасів: відмінності, недоліки, шляхи гармонізації [Електронний ресурс] – Режим доступу: http://www.rusnauka.com/23_NTP_2010/Economics/70466.doc.htm m]
28. CFO i MSFO // www.gaap.ru [CFO и МСФО // www.gaap.ru]