Problems of financial reporting transparency in the implementing national projects

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Abstract. The most important factor in information transparency (IT) realization in the implementation of national projects (NP) is to increase the transparency of financial reporting (FR) of organizations. At the same time, our studies have shown the existence of a number of significant problems in this area. This article analyzes these problems and ways to solve them. The purpose of the study is to determine the current state of FR transparency of organizations as a factor in ensuring IT in the implementation of NP and to develop recommendations for solving the most pressing problems in this area. During the research, a mixed methodological approach was used, including an analysis of practice in the above-mentioned area, a critical analysis of regulatory documents in this area and a survey of practitioners. The main results and conclusions that determine the scientific novelty of the research are to identify modern problems and ways to solve them in areas related to general approaches to the structure and composition of financial statements, the features of drawing up reporting forms, approaches to disclosing data on various accounting objects in reporting and their impact on the transparency of reporting as a factor in the IT realization in the implementation of the NP.
Keywords: financial reporting, national projects, Russian and International Standards

1 Introduction

It is difficult to overestimate the importance of ensuring information openness in the implementation of national projects (NP). At the same time, the most important factor is to obtain transparent financial reporting (FR) which allow to evaluate the activities of organizations when selecting performers of NP and when verifying the implementation of these projects. Thus, our research has revealed the presence of numerous problems in this area.

There is no consensus in the scientific literature on ensuring the above-mentioned transparency. Some authors [1-10] believe that this provision should be carried out by the preparation of reports according to international standards (International Financial Reporting Standards), while others [11, 12] believe that it should be done due to the

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disclosure of environmental risks in the FR. Nor the transition to IFRS does completely solve the issues of ensuring the transparency of the FO either since, as studies have shown [13-15], certain problems also arise during this transition. Ensuring the FR transparency by disclosing environmental risks may not be important for everyone, but only for some specific organizations. In addition, the study of this issue, in our opinion, should be postponed until the adoption of uniform standards for the presentation of the above-mentioned information, which may already solve the current difficulties in this area. Currently, it is advisable to focus on a critical analysis of existing standards.

Thus, the following research questions are relevant (RQ):

RQ1: to investigate the influence of common approaches to the structure and composition of FR, its transparency as a factor of ensuring IT within NP implementation;

RQ2: to analyze the features of various reporting forms compilation and the impact on the above-mentioned transparency;

RQ3: to investigate the impact of approaches to data disclosure on various accounting objects for FR transparency in order to ensure IT within the implementation of the above-mentioned projects.

The scientific novelty of the study is to identify the main modern problems regarding the FR transparency of organizations as a factor of ensuring IT within the NP implementation, as well as to identify ways to solve these problems.

The purpose of the study is to analyze the current state of the above-mentioned transparency and develop proposals for solving problems in this area.

The objectives of the study include: analysis of regulatory documents in the above-mentioned area; research of practice in this area; identification of problems and proposals for their solution.

2 Materials and methods

To conduct the research, we used a mixed methodological approach, including:

1) analysis of FR preparation practice in order to access is transparency as a factor of ensuring IT in the implementation of NP;

2) critical analysis of the standards for the formation of such reports, in order to identify and solve problems that have arisen in the above-mentioned area;

3) conducting a survey of practitioners in order to determine the perception of the controversial innovation for the draft accounting standard and identify its impact on the above transparency.

At the same time, within the framework of *RQ1*, *RQ2* and *RQ3*, we collected and analyzed the FR of 60 Russian organizations for 2016-2020 (30 large companies reporting according to Russian Accounting Standards (RAS) and IFRS and 30 medium and small enterprises that generate reports according to RAS only). In addition, we critically analyzed the rules of these standards and compared them, as well as determined the relationship between these rules and the problems identified within the research.

3 Results

In the framework of the study, we have obtained the following results of general approaches influence to the structure and composition of FR on its transparency as a factor of ensuring IT within NP implementation (*RQ1*). We have found that in the absence of strict requirements in accounting standards for the submission of information to the FR on any issue, in practice, discrepancies immediately arise when solving this issue. Greater

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number of such discrepancies is quite common for FR compiled according to IFRS where discrepancies begin with the titles of the reporting forms themselves (Fig. 1).
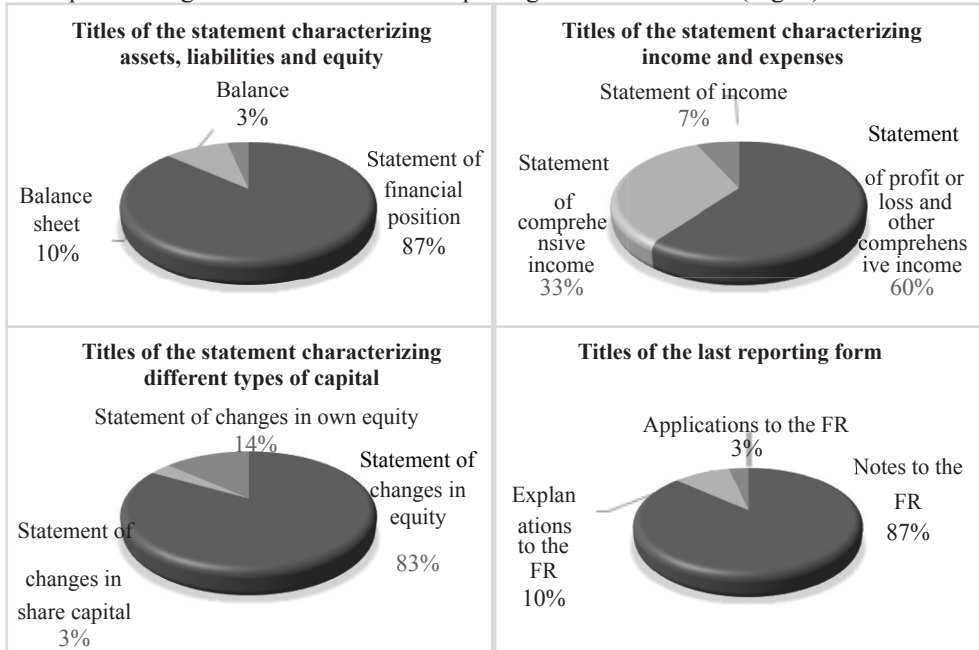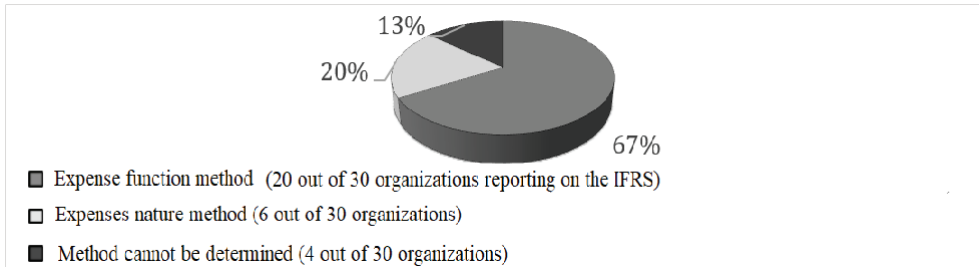

Fig. 1. Examples of discrepancies in the titles of FR forms and percentages of organizations using these names (out of 30 organizations that make up IFRS reporting). *Source:* developed by the authors.

Discrepancies in the formation of FR under IFRS are not limited only to the examples of inconsistencies illustrated in Figure 1. We have found that different organizations use significantly different titles to refer to the same FR items, and also disclose different components of information about the same accounting objects in the notes to these statements. The reason is the lack of strict requirements for the titles of reporting forms and their items in International Standards.

RAS, unlike IFRS, contains the exact titles of FR forms and articles. At the same time, we have identified a number of discrepancies in the preparation of these reports according to domestic standards. For example, when presenting sub-items to property, plant and equipment in the balance sheet, organizations call them differently. The reason is the absence in RAS of any requirements for the sub-items of the reporting forms.

The identified inconsistencies create a problem in obtaining transparent reporting information of organizations when implementing NP. To solve this problem, we propose to provide detailed examples of each FR form in both IFRS and RAS, including not only their items, but also sub-items. In addition, a closed list of possible titles of the same reports should be entered in the IFRS.

Let us move on from the general rules of FR compilation to the analysis of the individual reporting forms transparency features and its impact on IT provision in the implementation of NP (*RQ2*). Figures 2 and 3 present the results of our study dedicated to different methods of reports preparation practice.

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Fig. 2. Methods of expenses classification used by organizations when compiling a report characterizing income and expenses under IFRS. *Source:* developed by the authors.
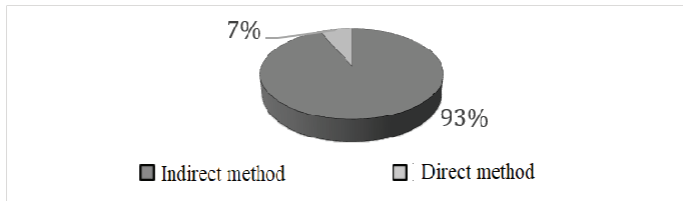

Fig. 3. Methods of reflecting cash flows used in practice in the formation of cash flows statement (CFS) under IFRS. Source: developed by the authors.

As can be seen from Figs. 2 and 3, in practice there is no unity of approaches to the compilation of the listed reports. At the same time, we found a dual effect of the lack of such unity on the above-mentioned transparency and IT. On the one hand, each of the two compilation methods indicated in Figs. 2 and 3 present important data on expenses and cash flows of organizations necessary for evaluating activities within NP implementation. On the other hand, the use of different methods by organizations hinders the comparability of the information used for the above-mentioned purposes.

The data in Fig. 2 also shows that it is impossible to determine from the information provided by a number of organizations which classification method has been used. The reason is that such organizations reflect part of the expenses using the function method, and part of the expenses using the character method. As a result, the FR transparency is significantly reduced, which in turn hinders the provision of IT when implementing NP.

Another problem in the above-mentioned area is the use by organizations of different profit indicators when compiling CFS by an indirect method (Fig. 4).
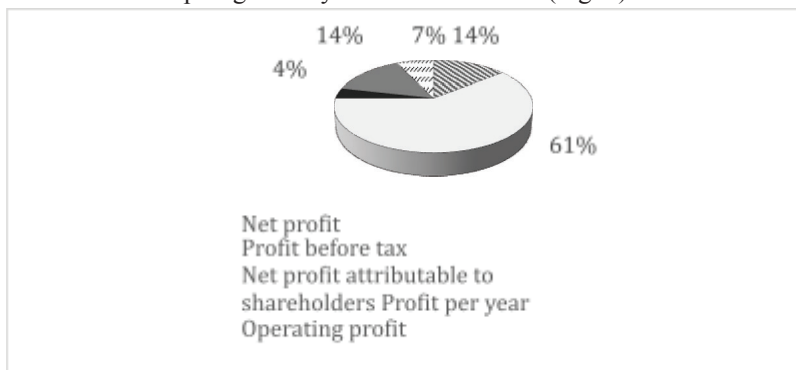
Fig. 4. Profit indicators used by organizations in the formation of CFS by the indirect method. *Source:* developed by the authors.

As can be seen from Figure 4, different organizations use significantly different indicators as a starting point when reflecting cash flows from operating activities using the

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indirect method. As a result, the comparability of data in the reporting of such organizations is violated, which negatively affects the transparency of this reporting and IT in the implementation of NP.

It should be noted that despite the fact that these problems are still typical for reporting compiled under IFRS, in the future these problems will become relevant for reporting submitted under RAS (after the inclusion in the Russian standards of the expense nature method and the indirect method).

In our opinion, it is advisable to perform the following actions in order to solve the identified problems in IFRS (and subsequently in RAS): 1) provide detailed examples of expenditure reflected items in the report characterizing income and expenses when using methods of function and nature and 2) specify which profit indicator should be used as a starting point when compiling CFS by the indirect method. Such an indicator, in our opinion, should be profit (loss) before taxation.

The results of the study of the data disclosure approaches impact on various accounting objects on FR transparency in order to ensure IT within the implementation of the above-mentioned projects (RQ3), allow us to note the following. We found that the information about depreciable assets disclosed by modern organizations in their FR cannot be called completely transparent. Thus, the vast majority of the organizations studied by us (81.7% or 49 out of 60 examined) use only a linear method of assets depreciation. At the same time, the share of organizations using only the linear method among small and medium-sized enterprises (90% or 27 out of 30) is much higher than among large companies (73.3% or 22 out of 30). In order to solve the identified problems, it is necessary to choose a method for calculating depreciation of these assets, strictly based on the specifics of obtaining economic benefits.

Reporting information about other accounting objects is not completely transparent either. Our research has shown that most organizations do not detail inventory in the balance sheet (90% or 54 out of 60 reviewed), as well as accounts receivable and accounts payable (88.33% or 53 out of 60). At the same time, in order to increase the information content of reporting when implementing NP, it would be very popular for organizations to present in the balance sheet (both RAS and IFRS) not only articles on these objects, but also sub-articles.

Another problematic issue is related to the indicators of other comprehensive income. In the draft of the future Russian standard, it is planned to introduce the term "unrealized revaluations" to denote such indicators. Nevertheless, as the results of our survey showed, the majority of users (92%, i.e., 46 out of 50 respondents) are not clear what this term means. Therefore, when using such a term in practice, there may be discrepancies in solving this issue, which will inevitably lead to a decrease in the FR transparency, and hence IT when implementing NP.

Thus, we propose to introduce into the future Russian standard, instead of unrealized revaluations, a category of other comprehensive income similar to IFRS. This category is clearly defined in the international standards and will be understandable to users. As a result, there will be no reduction in the transparency of reporting, and consequently, IT when implementing NP.

4 Discussion

The results of our study complement existing publications by analyzing the FR transparency of organizations as a factor in ensuring IT in the implementation of NP, which has not been carried out in other works. In addition, our study is a comprehensive study of the problems in this area by covering all the components (precisely, the analysis of the impact on the above-mentioned transparency and general approaches to the structure and

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composition of FR, the features of the preparation of reporting forms and approaches to disclosure of information about various accounting objects in the reporting).

Also, the results of our study complement the data of already published works on FR transparency in general (and not only as a factor of ensuring IT in the implementation of NP) by identifying problems in this area that currently exist in various accounting standards in practice and submitting proposals for their solution.

5 Conclusion

According to the goals and objectives of the study, we have obtained the following main results (Table 1).

Table 1. Study main results systematization.

RQ	Study main results	
	Problems revealed	Solution suggestions
RQ1	Discrepancies in the titles of reporting forms, their items and sub- items in practice, reducing the FR transparency and IT in the implementation of NP	To implement into: IFRS and RAS examples of reporting forms, including their items and sub-items; IFRS an exhaustive list of the titles for the reports of same types
RQ2	Discrepancies in practice in the preparation of reporting forms, negatively affecting the above-mentioned transparency and openness	Significantly supplement the regulations of IFRS and RAS on the compilation of these reporting forms in the way we have proposed
RQ3	Insufficient disclosure of data on a number of accounting objects in FR, which prevents IT from being provided when implementing NP	Mandatory selection by organizations of assets depreciation methods based on the features of economic benefits obtaining. The requirement to detail inventory items, accounts receivable and accounts payable in the balance sheet. Implementing to RAS categories of other comprehensive income instead of unrealized revaluations

Source: developed by the authors.

The practical significance of the study lies in the presentation of proposals to increase the transparency for all the organizations with no exception, which in turn will contribute to ensuring IT in NP implementation. The recommendations we have substantiated can be used to improve both RAS and IFRS, as well as domestic reporting practices.

The results that we presented will be useful in solving problems in the field of FR transparency of organizations as a factor in ensuring IT when implementing NP not only in Russia, but also abroad (since many countries are carrying out similar NP and problems arising their implementation are similar to Russian ones).

In further studies, it is advisable to consider the impact on the above-mentioned transparency of environmental risks disclosure (but only after the approval and testing of international standards in this area).

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