DANYLIUK S.V.
Group – OABm-11

PRINCIPLES OF CORPORATE REPORTING

The urgency of the issue of corporate reporting is that it is an attribute of a market economy, the purpose of which is to establish the relationship of the subject of economic activity with its individual participants, society for the free flow, maintenance and increase of capital between rational spheres of activity [1, p. 12-13]. It can be considered one of the tools of the institutes of society, which supports the functioning of the economy of the country [2, p. 260]. However, P. Drucker clearly observes that "none of the modern management tasks coincide with the general provisions of the traditional accounting model" [3]. Consequently, the composition of financial reporting does not fully meet the needs of its users and determines the need for the formation of additional reporting forms to reflect all aspects of economic activity. For these reasons, enterprises form information about the scope of activities, the results of which do not fully reflect the financial statements, creating corporate reports on the functioning of the business. The feature of such summary documents is the combination of financial indicators with quantitative data for detailed analysis and assessment of accountable activities. Therefore, for the purpose of forming competitive advantages, enterprise management personnel often resort to the practice of creating a system of reports, where corporate reporting acts as one of the means of disclosure of information. The main purpose of these reporting forms is to expand the information on the results of business activities, expressed in quantitative units and cost indicators, qualitative characteristics, in particular those relating to environmental issues, personnel, community support, enterprise potential, relations with consumers, customers and other interested parties. business activities by economic actors.

The urgency of corporate reporting, and the main principles of its formation is evidenced by a significant number of scientific works, publications of specialized institutions and expert practitioners: Bezverkhyi K., Gritsenko OI, Kostyrko RO, Kuznetsova S.A., Prodanchuk M. Sorokina V., Nemchenko V. V., Kamenskaya T. O., Kuzina R. V., Zhuk V., Zamula I., Maluga N., Shaikan A., Golov S., Money S., Veriga Yu. , Napadovskaya L., Pushkar M. and others like that. Each of them expresses his vision about the main reasons for expanding the number of reporting documents, the order, the principles of stacking data and the range of problems that should be reflected in the reporting process.

The creation and disclosure of information provided in corporate reporting solves a significant number of problems of enterprises and the economic system as a whole. The main problem solved by the mechanism of enterprise corporate reporting is the problem of asymmetry of information.

The mentioned problem is essential for participants in market relations, notes each of its researchers (George Acerloff, Michael Spence and Joseph Stiglitz), since even small differences or inaccuracies in the reported data can have a significant impact on the behavior of the economic entity [4].

Therefore, solving such a problem means avoiding a number of obstacles to the successful development of enterprises in a competitive environment.

Asymmetric information is a situation where information available to one market participant is not available to other interested parties.

In economic theory there are different points of view due to the asymmetry of information and uncertainty. Proponents of the neoclassical school believe that it prevents economic agents from behaving rationally and an obstacle to the efficient use of resources. But there is another point of view, according to which the possibility of the market is precisely the ability to use information, at first many are not available.

FA. Hayek, argued that the benefit appears only if, at first, information is not available to everyone; An entrepreneur who owns information receives an opportunity to earn profits for a period of time until full access to information is received by other economic agents.

According to the neoclassicists, the asymmetry of information is one of the reasons for a fiasco (the market failure). Because of the asymmetry of information there are internals (internal effects), representing the benefits or costs received by the parties to the transaction, which were not stipulated at the time of the conclusion of the transaction. Examples of internals are many: the buyer bought the goods, and he was poor-quality; the employer has benefited from an employee who has increased his qualifications through self-education and others.

A widespread example is described in the scientific article of the American economist and Nobel Prize winner in economics 2001 George Akerlof "The Market for "Lemons" (1970), which describes the situation that arises in the market of used cars.

Thus, the problem of informational asymmetry correlates with the problem of corporate reporting, where the principles point to the methodology for its creation and the algorithm of processing and submitting data [4].

Therefore, for the proper compilation of corporate reporting, it is necessary to clearly define the principles that will be used.

The principles of corporate reporting are divided into two groups:

1) Principles defining the content of corporate reporting;

2) Principles defining the quality of corporate reporting.

The principles defining the content of corporate reporting are:

- Materiality (corporate reporting should include indicators reflecting the most significant economic, environmental and social implications of the enterprise);

- Involvement of stakeholders (disclosure of the most significant issues for stakeholders);

- Completeness (all essential information must be included in the corporate report);

- The context of sustainable development (an enterprise should strive to include information about its activities in the wider context of environmental and social aspects, if such context provides the information with significant additional value).

The principles determining the quality of corporate reporting are:

- Balance (corporate reporting should show positive and negative aspects);

- Comparability (interested parties should be able to analyze changes with previous periods and other enterprises);

- Accuracy (information provided in corporate reporting may have only a minor level of error);

- Timeliness (the timing of the publication of corporate accounts must be consistent with the needs of stakeholders);

- Relevance (corporate reporting should contain information that influences decision-making by users, enables them to assess past, present and future events in a timely manner, validate and correct their estimates);

- Clarity (information should be published in a form accessible to the widest range of users, while remaining clear to them). The information provided in corporate reports should be cost effective and designed to be interpreted by users with a clear interpretation, provided that they have sufficient knowledge and are interested in perceiving this information;

- Reliability (the information should be collected, recorded, systematized, analyzed and presented in a way that it can be verified. The information contained in the corporate reporting is true if it does not contain errors and distortions that may affect the decisions of users of reporting)[5].

The main idea of constructing corporate reporting is to focus on enterprise strategies, providing timely, reliable and transparent information for decision making, attracting interested investors, and sustainability of business models of the enterprise.

Consequently, the principles of preparing corporate reporting are inextricably linked with the implementation of the mission, strategy and goals of the corporation. Compliance with each group of principles ensures maximum complete satisfaction of the information needs of external and internal users of corporate reporting.

Finally, if interested individuals are confident in corporate reporting, they will grow: trust in this enterprise, goods, services, competitiveness, image, etc. Also, one of the main benefits of complying with the above principles is that there will be no asymmetric information and it will be beneficial for the state and for the interested parties.

Bibliography:

1. Chumachenko M.G. Modern approach to the development of financial reporting in accordance with the main directions of institutional theories / M.G. Chumachenko, T. Kucherenko // Accounting and Audit. - 2011. - No. 8. - P. 12-19

2. Pushkar M.S. Meta-theory of accounting or which should be the theory: a monograph. - Ternopil: Carte Blanche, 2007. - 359 p.

3. Dr.P.F. Tasks of management in the XXI century / P.F. Drucker [Electronic resource] - Access mode: http: //books.efaculty.kiev.ua

4. George A. Akerlof. The Market for "Lemons": Quality Uncertainty and Market Mechanism // The Quarterly Journal of Economics, v.84, August 1970, pp. 488-500. Translation by E. I. Nikolaenko [Electronic resource] - access mode: http://pjabuxa.blogspot.com/2015/09/blog-post_13.html