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Diploma Thesis

Assessment of the Reported Information in the Financial Statements Prepared Under the Russian Accounting Standards and the International Accounting Standards

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DIPLOMA THESIS ASSIGNMENT

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Assessment of the Reported Information in the Financial Statements Prepared Under the Russian Accounting Standards and the International Accounting Standards

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Objectives of thesis

The aim of this diploma thesis is to assess the information reported in the financial statements of two chosen companies, one of which prepares its financial statements in accordance with the russian accounting standards PBU and the second in accordance with the international accounting standards IAS/IFRS, to identify the significant differences and to specify the advantages and disadvantages of applying these standards for financial reporting.

Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the conclusions of the thesis.

The proposed extent of the thesis

60 – 80

Keywords

Russian Accounting system, Financial Statements, Balance sheet, Income Statement, Notes, Cash-flow statement, International Financial Reporting Standards, Income tax, Depreciation, Valuation of assets.

Recommended information sources

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Wiley Interpretation and Application of IFRS Standards (Wiley Regulatory Reporting). UK : John Wiley & Sons, TJ International Ltd., 2018, 1016 p., ISBN-13: 978-1119461500

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Declaration

I declare that I have worked on my diploma thesis titled "Assessment of the Reported Information in the Financial Statements Prepared Under the Russian Accounting Standards and the International Accounting Standards" and I have used only yhe sources mentioned at the end of the thesis.

In Prague on 29.3.2019

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Assessment of the Reported Information in the Financial Statements Prepared Under the Russian Accounting Standards and the International Accounting Standards

Zhodnocení vykazovaných inforamcí v účetních výkazech podle ruských účetních standard a mezinárodních účetních standardů

Assessment of the Reported Information in the Financial Statements Prepared Under the Russian Accounting Standards and the International Accounting Standards

Summary

The concept of compiling and publishing statements is the basis of the system of national accounting standards in most economic countries.

In the period of globalization of the economy and the convergence of national standards with international ones, the Russian accounting and reporting system is going through a period of adaptation and bringing the national accounting system in line with the requirements of a market economy and international financial reporting standards. Already many large Russian companies provide reporting on international standards. This is implemented in two ways: parallel accounting of Russian and international standards, or the transformation of Russian reporting into IFRS reporting.

Despite the fact that the process of convergence of Russian standards with the standards of world practice is carried out for a long time, at the moment there are a number of fundamental differences. Therefore, this work aims to study the two accounting systems, their legislative framework, financial reporting, to determine their similarities and differences.

Key words

- Russian Accounting system
- Financial statements
- Balance sheet
- Income statement
- Notes
- Cash-flow statement
- International Financial Reporting Standards,
- Income tax
- Depreciation

Zhodnocení vykazovaných inforamcí v účetních výkazech podle ruských účetních standard a mezinárodních účetních standardů

Souhrt

Koncepce sestavování a publikování prohlášení je základem systému národních účetních standardů ve většině ekonomických zemí.

V období globalizace hospodářství a sbližování národních norem s mezinárodními standardy prochází ruský systém účetnictví a výkaznictví obdobím adaptace a sbližováním národního účetního systému s požadavky tržního hospodářství a mezinárodního účetního výkaznictví. norem. Již mnoho velkých ruských společností poskytuje zprávy o mezinárodních standardech. To se provádí dvěma způsoby: paralelním účtováním ruských a mezinárodních standardů nebo transformací ruského výkaznictví do výkazů IFRS.

Navzdory tomu, že proces sbližování ruských standardů se standardy světové praxe probíhá již delší dobu, v současné době existuje řada zásadních rozdílů. Cílem této práce je proto studium dvou účetních systémů, jejich legislativního rámce, finančního výkaznictví, stanovení jejich podobností a rozdílů.

Klíčová slova

• Ruský účetní systém

• Účetní závěrka

• Rozvaha

• Výkaz zisku a ztráty

• Poznámky

• Výkaz hotovosti

• Mezinárodní standardy účetního výkaznictví,

• Daň z příjmů

• Odpisy

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1. INTRODUCTION

Accounting (financial) reporting is a unified system of data on the property and financial status of an organization and on the results of its business activities, compiled on the basis of accounting data in accordance with established forms.

The company's reporting is a logical continuation of financial accounting procedures and is a system of indicators characterizing the property and financial position of the organization at the reporting date.

The principle of preparation and publication of financial statements is one of the defining principles underlying the accounting methodology.

Reporting has an important functional role in the economic information system. It integrates the information of all types of accounting and is presented in the form of tables, convenient for the perception of information objects of management. Accounting (financial) reporting is a link between the organization and other market actors.

The concept of compiling and publishing statements is the basis of the system of national accounting standards in most economic countries.

The Russian accounting and reporting system has always differed from foreign accounting (financial) accounting by a rigid regulatory system implemented at the state level.

At the present stage, the national accounting and reporting system is going through a period of adaptation and bringing the national accounting system in line with the requirements of a market economy and international financial reporting standards. The main objectives of the reform are to create accountability that meets the requirements of a market economy that is understandable to foreign investors and consequently promotes investment. Since any organization constantly needs additional sources of funding. And the lack of information provided to users may become an obstacle to the further development of the organization's activities - in the sense of additional capital inflows as a source of expanding the organization's activities, as the business partners of the organization will not receive information on the financial stability, solvency, and prospects for the organization. It is possible to attract potential investors and creditors by objectively informing them about their financial activities through accounting (financial) statements.

The process of convergence of Russian standards with the standards of world practice is carried out for a long time, but despite this, at the moment, a number of fundamental differences have remained.

For this reason, there are guidelines on how to use this document. case study to analyze the similarities and differences by the international financial statements.

It should be noted that for the Russian accounting system accounting, there are both positive and negative sides of convergence with International standards.

Positive aspects are both internal aspects and external.

To external it is advisable to include transparency, openness and greater informative report on international standards. IFRS reporting

It is designed to provide a more realistic picture of the business subject, more informative, accessible and useful to reflect the information for her potential users.

The topic of this work is relevant because, due to the tendency for Russian standards to converge with international standards, comparing systems and understanding the differences between these two systems makes it possible to bring accounting records to IFRS cheaper, and knowledge of corrective operations to predict and quickly adjust the deviations.

2. OBJECTIVES AND METHODOLOGY

2.1. Objectives of thesis

The aim of this diploma thesis is to assess the information reported in the financial statements of two chosen companies, one of which prepares its financial statements in accordance with the russian accounting standards PBU and the second in accordance with the international accounting standards IAS/IFRS, to identify the significant differences and to specify the advantages and disadvantages of applying these standards for financial reporting.

Regarding the aim of the diploma thesis, the research questions are:

▪ What are the characteristics of the Russian accounting system and accounting standards regarding the legal framework, the requirements on the financial statements´ presentation, form and content, the accounting methods and principles?

▪ What are the characteristics of the international accounting standards/international financial reporting standards IAS/IFRS regarding the legal framework, the requirements on the financial statements´ presentation, form and content, the accounting methods and principles?

▪ What are the main similarities and differences between the two accounting systems and standards regarding the form and content of financial statements and the main accounting principles and methods in accounting?

▪ What are the main similarities and differences in accounting principles and methods in preparing the financial statements of the two choosen companies?

▪ What are the main advantages and disadvantages of applying Russian accounting standards and international accounting standards for financial reporting?

2.2.Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the conclusions of the thesis.

The diploma thesis structure includes three main parts. The theoretical part focuses on the literary overview of the legal frame of accounting in Russia and on the international accounting standards IAS/IFRS. The practical part deals with the case studies and focuses on the characterisation of the choosen companies, the information reported in their financial statements and the accounting methods applied. Horizontal analysis of the financial statements and financial analysis based on the chosen companies financial statements is carried out. The financial analysis formulas, used in this work, are described below. The third part of this diploma thesis compares and summarizes the similarities and differences between the two accounting systems and between the accounting policies of the two choosen companies. The applied accounting principles and financial statements of these companies will be compared in order to find similarities and differences between the two accounting systems and make recommendations for their convergence. In the practical part, the financial statements of the two companies will be analyzed: the Russian company "Kazan bakery No. 3" and the international company Nestlé. The list of tables, list of appendixes and the list of abbrevations are presented on page 93.

For the practical part the following ratios will be calculated:

Return on assets [17]

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Return on assets - a financial ratio that characterizes the return on the use of all assets of the organization. Reflects the profitability obtained by using both own and borrowed capital. The higher the return on assets ratio, the more efficient the enterprise's operations.

Return on equity [17]

$$\text{ROE} = \frac{\text{Net Income}}{\text{Total Equity}}$$

Return on equity is the most important financial indicator of return for any investor, business owner, showing how effectively the capital invested in the business was used.

Return on sales [17]

$$\text{ROS} = \frac{\text{Net Income}}{\text{Net sales (Revenues)}}$$

Return on sales - an indicator of the financial performance of the organization, showing how much of the company's revenue is profit.

Liquidity ratios [4]

$$\text{Absolute ratio (Cash ratio)} = \frac{\text{Cash and equivalents}}{\text{Current Liabilities}}$$

$$\text{Quick ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Liquidity ratios analyse the ability of the company to pay their current liabilities.

Standard indicator of balance sheet liquidity [18]

$A1 \geq P1$

$A2 \geq P2$

$A3 \geq P3$

$A4 < P4$

Where:

A1 - the most liquid assets; (cash and short-term financial investments)

A2 - marketable assets; (accounts receivable)

A3 - slow-moving assets; inventory and other

A4 - non-current assets (long-term assets)

P1 - the most urgent liabilities; (accounts payable)

P2 - current short-term liabilities;

P3 - long-term liabilities;

P 4 - own equity (articles of section 3 “Capital and reserves").

Limitations

Limitations of the diploma thesis and its results are related to the information gained from the chosen companies (in case of the Russian company, where the financial statements are not public), the time-frame of the analyzed financial statements (limited to years 2015 – 2017) and to the translations of some of the literature resources and the items of the financial statements of the chosen Russian company to English.

3. LITERATURE REVIEW

The following chapters characterize the history of accounting in general, the Russian accounting system, its development, legal framework, requirements on financial statements and accounting principles, and also the foundation of the international accounting standards IAS/IFRS and its requirements on financial statements and general accounting principles.

3.1. History of accounting

Prerequisites for creating financial statements arose in the ancient world (5 thousand years BC - 500th yy BC) and the ancient world (500th yy BC. - 476 year AD).

Under accounting reports of the ancient era, you can understand the direction of accounting activities, determined by the fact of the existence of state capital and the need to maintain a certain kind of reporting on its condition. However, at this point in time there is no terminological definition.

In the era of the ancient world the object of accounting financial statements, besides money Here becomes a wide range of material resources: ore, slave labor equipment. Signs of their accounting are formed, which later become one of the bases for the subsequent development of accounting records. Inventory, and receipt and expenditure financial statements, current account, as well as government revenue accounting and costs are beginning to be systematic and are complemented by reporting in production. [2]

In the early Middle Ages (V — XI centuries) the main activity continues to be farming carried out in monastic and large local farms. Based on this, the financial flows from the sale of grown crops are concentrated there. Financial distribution and financial accounting remain in the hands of the elders, or the chief monks. C XII at. in Britain, systematic written records are kept in monastic farms, from XIII at. a so -called system is being formed manorial reporting used in large agricultural estates in England. This system becomes the progenitor of the development of financial accounting in the early Middle Ages. Its main features are: simple accounting with the use of personalized accounts; Processing of reports by the estate manager, which the entrusted property of the owner is considered as debt to the owner.

In the same period later medieval since XIII at., in view of the massive expansion of trade, development of banking and intermediary activities and, mainly, the emergence of companies (firms) there are fundamental changes in the methodological basis of financial statements. The study of a system of accounts based on double-entry bookkeeping inevitably raises the question of the priority (primacy) of capitalist relations with their inherent categories of capital and profit relative to their counting interpretation. In this way, the presence of capital in the system of economic relations is a prerequisite for the emergence of double-entry bookkeeping. [1]

New time is a period of great geographical discoveries. With the development of trade, including external, contributing to the accumulation of capital and the competitiveness of goods, creates an objective need for industrial production. There is a certain dynamics in the growth of industrial capital, develop market relations and as a consequence, the question arises of changing the accounting system. In accounting there are ideas for double-entry bookkeeping her venetian, shopping, option. Reporting is recognized by the management tool. At the New Age stage, only the prerequisites for the emergence of financial statements The key is the practical need for a reliable and correct calculation of profits. [15]

3.2. The accounting system in Russia

The following chapter characterizes the Russian accounting system, its development, legal frame, requirements on the financial statements and accounting principles.

3.2.1. Development of accounting in Russia

The first stage (XVII-XIX centuries) was called the Birth. At this stage , the historian and economist MD was engaged in balancing and financial reporting. Chulkov (1743-1793), as well as in the development of financial statements, foreign experience played a role played by Peter I. The regulatory documents governing financial reporting were : Admiralty Management Regulations and Shipyards (1722). Bankruptcy Charter (1800). The law on the conduct of merchants trading books (1834).

The second stage (1898 - 1917) - Formation. In this period, the activities of the following scientists played an important role: N.S. Lunsky (1877-1942); R.Y.Weizmann (1870-1936); A.P. Rudanovsky (1863-1934); ON. Cypress trees (1873-1956). At this stage, a regulatory document appeared - the Charter of the Industrial Tax (1899).

The third stage (1917-1921), called Stabilization and War Communism, is characterized by N.A. Blatov (1875-1942). At this stage, the Decree of the Council of People's Commissars of the RSFSR of July 27, 1918 “On Trade Books” was enshrined.

The fourth stage (1921-1931), called the New Economic Policy (NEP), is characterized by the activity of I.R. Nikolaev (1877-1942). Regulatory documents of this stage: New economic policy, adopted on March 15, 1921 by the 10th Congress of the Republic of Kazakhstan P (b). Order of the Supreme Economic Council of the RSFSR and the NKF RSFSR of 10.03.1928, the №405 "On the mandatory forms of public reporting and on the exchange of account statements"

Fifth stage (1931-1945) - Pre-war and war years. Balance and financial reporting then engaged AM. Galagan (1879-1938) and others. One of the main regulatory documents of the fifth stage is the Resolution of the Council of People's Commissars of the USSR of July 29, 1936 No. 1372 “Provision on accounting reports and balance sheets of state and cooperative enterprises of enterprises”.

The sixth stage (1945-1964) - The construction of developed socialism is characterized by the activities of Academician of the Academy of Sciences of the USSR S.G. Strumilin (1877-1974); scientist N.S. Pomazkova (1889-1968). The regulatory document governing financial reporting at this stage was the Appendix to the Resolution of the Council of Ministers of the USSR of 12.09.1951 No. 3447 "Regulations on accounting reports and balance sheets of state, cooperative and public enterprises and organizations."

Seventh stage (1964-1985) - Period of stagnation. At this stage , a scientist, a professor, an accounting practitioner N.R. played a major role in balancing and studying financial statements. Weizmann (1894-1981). The main regulatory document governing financial reporting was the Resolution of the Council of Ministers of the USSR of June 29, 1979 No. 633 “On Approval of the Provision on Accounting Reports and Balances”.

Eighth stage (1985-1994) - The pre -perestroika and perestroika period is characterized by the active work of D.Sc., prof. V.V. Kovalev (1948). The Resolution of the Council of Ministers of the USSR of 08.10.1987, No. 1123, was responsible for the normative regulation of financial statements. Resolution of the Council of Ministers - Government of the Russian Federation of February 12, 1993 No. 121 “On Measures for Implementing the State Program of Transition of the Russian Federation to the Internationally Accepted Accounting and Statistics System in accordance with the requirements of the development of a market economy”.

The ninth stage (1994-1998) is characterized by the beginning of the reform, and a large role in this was played by the Doctor of Economics, Professor V.V.Kovalev (1948). The following documents were responsible for normative regulation: Federal Law of 21.11.1996 No. 129-FL Resolution of the Government of the Russian Federation of 06.03.1998 No. 283 "On Approval of the Accounting Report Reform Program in accordance with International Financial Reporting Standards". Order of the Ministry of Finance of Russia of July 29, 1998 No. 34n "On Approval of the Provision on Accounting and Reporting in the Russian Federation"

The tenth stage (1998-2011) is characterized by the activity of D.Sc., Professor V.F. Paliy on unification and standardization. The regulatory documents governing the financial statements at this stage were PBU 4/99, Accounting Reports of an Organization, Order of the Ministry of Finance of Russia of January 1, 2000, No. 4n, "On Accounting Forms of Organizations". Order of the Ministry of Finance of Russia of June 28, 2000 No. 60n; Order of the Ministry of Finance of Russia dated July 22, 2003 No. 67n; Order of the Ministry of Finance of Russia of 02.07.2010, №66n; Federal law of 27.07.2010, №208-ФЗ.

The eleventh stage (2011 - to the present) is characterized by a process of global convergence of accounting systems and financial statements. The regulatory regulators at this stage are the Federal Law of 06.12.2011, №402-FL; Resolution of the Government of the Russian Federation dated February 25, 2011 No. 107;Order of the Ministry of Finance of Russia dated November 25, 2011 No. 160n . [6]

The current stage covers the time span from industrial production to the use of digital technologies in a post-industrial society. Can highlight two periods in its development:

The first stage (1920-1950 yy.) - associated with the emergence of classical and neoclassical schools of scientific management (administrative, psychological (human relations), behavioral (behavioral), quantitative methods);

The second stage (with 1950 year Until now) - is associated with the occurrence of process, system and situational approaches, concepts of organizational culture and effective management, caused fundamental changes not only in management science, but also in the industrial reporting methodology as the historical predecessor of financial accounting. The current stage does not demonstrate the methodological unity of opinions of scientists from different countries in understanding the essence and content of financial statements.

In the United States, the formation of financial statements occurs against the background of the first attempts to unify (standardize) accounting procedures, making demands on the need to build a theory of accounting, development of scientific interpretation, principles and principles formation of methodological approaches to the study of financial statements.

At first 1990s yy get the development of new accounting methods: universal cost management system - Total Cost Management (TCM), cost accounting by type activities - Activity Based Costing (ABC), or differentiated (functional) accounting calculation of operations balanced scorecard - The Balanced Scorecard (BSC). A similar accounting model is developing in the UK. In France, an analogue of financial statements is analytical (marginal) accounting. In Germany, an analogue of financial statements is cost accounting. [5]

In the period of formation and development of financial statements can be divided into three stages:

First stage (1920–1950) yy.) - development of specific techniques accounting methods the formation of its goals;

Second phase (1950–1990 yy.) - development of traditional accounting systems (standard- cost , direct costing, calculation of the total cost, cost allocation break-even estimate, etc.);

Third stage (1990 year Until now) - development of innovative accounting systems (ABC calculation system, “just in time”, strategic financial statements, etc.).

Thus, financial statements are quite a complex system and could not arise only from general prerequisites. Historical experience shows that It is based on neoclassical economic theory in combination with the philosophy of positivism, as well as classical and neoclassical schools of scientific management. [10]

3.2.2. Legal framework and Accounting principles in Russia

The order of normative regulation of accounting and financial statements in the Russian Federation is described below.

In Russia at the moment for the regulation of accounting and reporting meets the four-SIS topic. The formation of this system was influenced by such factors as:

- wide dissemination of international financial reporting standards;

- new market conditions that entailed the need for some economic transformations.

The first level of the aforementioned system includes legislative acts. In particular, the Federal Law “On Accounting” No. 402-FL of December 6, 2011 (as amended on November 28, 2017) .

This Law establishes a uniform legal methodological framework for accounting and the preparation of financial statements in the Russian Federation. According to this law, the main task of accounting is to provide users of financial statements with complete information necessary to monitor compliance with Russian legislation in the process of conducting business transactions.

The main purpose of this Law is to establish uniform requirements for accounting and preparation of financial statements, as well as the formation of a legal mechanism for their regulation. [11]

According to clause 1 of article 3 of the Federal Law of 06.12.2011 N 402-FL (as amended on 11/28/2018) "On Accounting" , accounting (financial) reporting is information on the financial position of an economic entity at the reporting date, the financial result of its activities and cash flow for the reporting period, systematized in accordance with the requirements established by this Federal Law.

Several articles of the Law, namely, from 13 to 18 articles, are directly devoted to more specific issues of the composition and content of reporting.

Also, in addition to the Law on Accounting, accounting and the preparation of accounting (financial) statements are governed by other laws:

- Federal Law "On Joint Stock Companies" of 12/26/1995 N 208-FL;
- Federal Law "On Limited Liability Companies " dated February 8, 1998 N 14-FL ;
- Decrees of the President of the Russian Federation;
- Decisions of the Government of the Russian Federation;

Also in the first level of the system are not less important regulations such as the Tax Code of the Russian Federation, the Civil Code of the Russian Federation, the Labor Code of the Russian Federation and the Code of Administrative Offenses of the Russian Federation. [3]

Directly to the first level can be attributed to the Regulation on accounting and financial statements in the Russian Federation , adopted by the Order of the Ministry of Finance of the Russian Federation dated 07.29.1998 N 34n (as amended on 04.04.2018) .

The second level of the system includes the Accounting Regulations (PBU), which were developed by the Ministry of Finance of Russia. The compilation of financial statements is directly regulated by PBU 4/99 “Accounting Reports of an Organization”, approved by order of the Ministry of Finance of Russia of July 6, 1999 No. 43n.

According to this provision, financial statements are a single system of data on the property and financial position of an organization and on the results of its business activities, compiled on the basis of accounting data in accordance with established forms.

In total, there are currently 25 PBUs that regulate the priority accounting issues of specific operations and financial reporting.

The number of documents constituting the second level also includes the Chart of Accounts and the Instructions for its use. The chart of accounts is a unified document of general order and its application is mandatory for all organizations of all types of activities. The only exceptions are banks and budget organizations.

The third level of regulation includes various departmental documents. Such as: instructions, indicate that, depending on the industry-specific specify the general methodological guidelines set out in the laws and PBU. Thus , third-level documents regulate specific operations. These documents include the Order of the Ministry of Finance of Russia "On the Forms of Accounting Statements of Organizations" dated 02.07.2010 N 66n (as amended on 06.03.2018).

The fourth level of regulation are orders, instructions, instructions issued by the organization. Thus, a working plan for the organization of accounts, based on a single chart of accounts, accounting or poly teak organization adopted in accordance with PBU 1/08 "Accounting Policies Organization", etc. are the Document of the fourth level . [9]

Thus, the list of regulatory documents regulating the accounting (financial) statements in the Russian Federation is quite extensive. But directly related to the process of the formation of statements have the following regulatory documents:

- Federal Law "On Accounting" dated 402-FL dated 06. 12.2011 (as amended on 11/28/2018) .

- Regulation on accounting and financial reporting in the Russian Federation, approved by order of the Ministry of Finance of the Russian Federation of July 29, 1998 No. 34-n . (As amended on 11.01.2018).

- PBU 4/99 “Accounting statements of an organization”, approved by order of the Ministry of Finance of Russia of July 6, 1999 No. 43n .

- Order of the Ministry of Finance of Russia "On the Forms of Accounting Statements of Organizations" dated 02.07.2010 N 66n (as amended on 06.03.2018).

The Federal Law "On Accounting" determined to become the financial statements, the order of its presentation and PUB of replication of. The "Regulations on accounting and accounting reporting in the Russian Federation" shall contain the rules of reporting and evaluation of its articles. The PBU 4/99 "Accounting Report of organization" established reporting requirements, contains Contents and methodological foundations of its formation. Order No. 67 contains the list of annual and interim reporting forms and instructions for their preparation. However, in this Order only approximate forms are approved . Organizations have the right to make changes to them. But claiming their own forms of financial statements of the Organization shall us to comply with certain requirements. The most important of these requirements is to preserve the principles for constructing these forms. So by developing its own version of the balance, the organization has no right to violate the order Proposition his articles. They must be placed according to the degree of increasing liquidity.

Accounting financial statements perform a number of important tasks:

- Accounting (financial) statements to evaluate on the conductive value of the property, the cost of immobilized and mobile tools of material circulating assets, the amount of sob -governmental sources and borrowed funds of the organization.

- According to the accounting (financial) statements, a surplus or shortage of sources of funds for the formation of the organization’s working capital is established, that is, the organization’s security is determined by its own and borrowed sources.

- Accounting (financial) reporting provides an opportunity to assess the creditworthiness of the organization, that is, the ability to fully and timely pay for obligations.

- Accounting is an information base of financial analysis, the results of which are used to manage the financial and economic activities of an organization, to evaluate the performance of its management, to select areas of capital investment.

- Also through the accounting (financial) statements the main task of accounting is realized - the formation of complete and reliable information about the activities of the organization and its property status and the presentation of this information to internal and external users.

- The financial statements contain information on the financial position of the organization, the financial results of its activities and changes in its financial position, which allows to evaluate its investment, financial and operating activities in the reporting period.

Consider the requirements for accounting (financial) statements.

Article 13 " General requirements for the accounting (financial) statements ," the Federal Law "On Accounting" dated 06.12.2011 N 402-FL (ed. Of 11.28.2018) , as well as in paragraph 3, "Composition of the financial statements and general requirements It ”PBU 4/99 “ Accounting statements of the organization ”, approved by order of the Ministry of Finance of Russia dated July 6, 1999 No. 43-n, reflects the main requirements for the preparation of financial statements.

To the accounting (financial) statements in the Russian Federation impose the following requirements:

Credibility This is an objective and truthful reflection of the events presented in the statements, as well as the absence of significant errors and deviations. According to PBU 4/99 “Accounting reports of an organization”, financial statements are considered to be reliable, formed on the basis of the rules established by accounting regulations.

Materiality. This is the significance of the information presented in the statements. Information is considered material if its absence or distortion may affect the economic decision of users made on these statements.

If the preparation of financial statements on the basis of the rules of Accounting Regulations 4/99 “Accounting records of the organization” reveals a lack of data to form a complete picture of the property and financial situation, then the organization has the right to include relevant additional indicators and explanations.

Neutrality. This lack of biased assessments aimed at influencing any category of users. Based on the rules of PBU 4/99 “Organization's Accounting Reporting”, in the financial statements, one-sided satisfaction of the interests of some groups of users of financial statements to others should be excluded. Information is not neutral if, during selection or a certain presentation, it influences the decisions and ratings of users in such a way that predetermined results or consequences are achieved.

Integrity. It is the need to include in the financial statements of data on all business transactions carried out both by the organization as a whole and its branches, representative offices and other divisions, including those allocated to separate balance sheets. A separate balance sheet is a system of indicators formed by a division of an organization and reflecting its property and financial position at the reporting date, which is required for the needs of managing the organization, including reporting.

Sequence. Means the need to maintain consistency in the content and forms of the balance sheet, income statement and explanations to them from one reporting year to another.

Comparability. This is the comparability of reporting information for several reporting periods. In the financial statements for each numerical indicator should be given data for at least two years - the reporting and the previous reporting. If the data for the previous period are incomparable with the data for the reporting period (reorganization, change in accounting policy), then the first of the above data is subject to adjustment based on the rules established by accounting regulations. Each significant adjustment should be disclosed in the explanatory note. [23]

The requirement of compliance with the reporting period. Reporting period - the period for which the organization must prepare financial statements; reporting date - the date as of which the organization should prepare financial statements.

The period from January 1 to December 31 inclusive is adopted as the reporting year in the Russian Federation, that is, the reporting year coincides with the calendar year. The reporting date is the last calendar day of the reporting period (for the annual report, this is December 31, for the interim, March 31, June 30, September 30). The first reporting year for a newly created organization is the period from the date of state registration to December 31 of the relevant year, and for organizations created after October 1, to December 31 of the following year. [21]

Requirement for proper reporting :

a) Accountant Skye statements are prepared in Russian in Russian rubles;

b) Reporting under the Recorder's director and chief accountant;

c) Articles of standard reporting forms for which no numerical values for exponent in the forms of organization are not included;

g) Each composition -governing part of the accounting reports shall contain the following guides data:

1) the name of the component;

2) an indication of even date or the period, over which the reporting;

3) the full name of the organization;

4) taxpayer identification number (TIN);

5) type of activity;

6) legal form;

7) unit of measure;

8) location (address);

9) the date of approval;

10) date of dispatch.

e) Accounting data are given in thousands of rubles without decimal places. An organization that has substantial sales turnover, liabilities, etc., can provide data in financial statements in millions of rubles without decimal places.

f) In the accounting reporting forms, the lines for which relevant indicators are disclosed are coded by organizations independently when developing and adopting accounting reporting forms.

g) There should be no erasures and blots in the accounting reporting forms. [12]

3.2.3. Financial statements of Russian companies

Methods of disclosing information in financial statements depend on the materiality of quantitative and qualitative assessment of indicators.

The quantitative, or as it is also called - the cost estimate of the materiality of the indicator disclosed in the financial statements, can be at the level of 5%. In this case, a significant amount is recognized, the ratio of which is not less than 5% of the total result of the relevant data for the reporting period. An organization may establish another level of materiality. The organization should also clarify what is meant by the “total result of the relevant data. The quantitative assessment of the materiality indicator can be applied both to the balance sheet currency and to a separate reporting item.

A qualitative assessment of the materiality of the information disclosed in the financial statements is based on the influence of the nature of an indicator on the economic decisions of interested users, taken on the basis of reporting information.

When reporting, the organization should disclose the following information, taking into account its materiality:

- about changes in accounting policies that have or may have a significant impact on the financial position, cash flow or financial investments;

- on operations in foreign currency; - on inventories;

- about fixed assets;
- about income and expenses;
- on the consequences of events after the reporting date;
- about the consequences of the conditional facts of economic activity;
- on disclosure of information on the capital structure, distribution and use of net profit;
- about assets, liabilities;
- about affiliates;
- about segmentation of activity.

Of great importance is the disclosure in the reporting of information on the implementation of activities that are subject to risks and making profits other than risks and profits for other goods (work, services) or homogeneous groups of goods, as well as for carrying out activities in different geographic regions.

To provide this information, the organization must determine the list of reportable segments for which information is disclosed. However, it is based on a qualitative assessment of the materiality of the information to be disclosed. [22]

In conclusion, I would like to note that the main prerequisites for disclosing information in financial statements are as follows. When deciding whether information is material for a separate reporting, the qualitative and quantitative characteristics of each indicator are evaluated together. Depending on the circumstances, both the nature of the indicator and its assessment can be crucial. Nevertheless , large indicators, the size of which exceeds the quantitative assessment of the materiality level adopted by the organization, are disclosed separately.

At present, organizations submit mandatory interim and annual financial statements. Intermediate financial statements include:

- "Balance sheet";
- "Income statement".

Also as part of the interim financial statements, in addition to these forms, organizations may submit other reporting forms, as well as an explanatory note included in the annual accounts.

The composition of the annual financial statements of company includes:

- Balance sheet;
- Income statement;

- Statement of Changes in Equity;

- Cash flow statement;

- Annex to the balance sheet;

- Explanatory note;

- The audit report confirming the accuracy of the financial statements, if the organization is subject to a mandatory audit.

The balance sheet of company:

The balance sheet - the main form of financial statements, a way of grouping the assets and liabilities of the organization in monetary terms. It describes the property and financial condition of the organization at the reporting date.

The balance sheet of company consists of 5 sections:

In the asset balance:

- non-current assets

- current assets

In the passive balance:

- capital and reserves

- long term duties

- Short-term liabilities

A separate section reflects off-balance sheet accounts.

The balance of company is compiled solely on the basis of the balance sheet or the general ledger of accounting.

The structure of the balance is based on the principle of duality, the equation of which can be written in the following form:

Assets = Equity + Liabilities.

Asset and liability - make up the two main parts (sections) of the balance sheet. The totals for each of them must converge (balance). The asset balance contains information about the value of the organization’s assets (fixed assets, intangible assets, materials, goods, receivables, etc.). Liabilities - the amount of equity and debt to creditors.

When filling the balance in company for the reporting year, it also shows the indicators for the two years preceding the reporting one. This is done to reflect the dynamics of economic activity.

Report on financial results of company:

This document reflects the financial performance of company for the reporting period by comparing revenues and expenses. From this form, stakeholders can see what income the organization received, what expenses were incurred and what profit was generated as a result.

In the statement of financial results of company, expenses of the organization are reflected with the division of the cost of goods sold, products, works, services, selling expenses, management expenses and other expenses.

Report on changes in capital of company:

The report, which discloses information on the movement of the authorized capital, reserve capital, additional capital, as well as information on changes in the amount of retained earnings (uncovered loss) of the organization. In addition, in this form indicate the amount of reserves that have been formed and (or) used by the organization.

As well as in the balance sheet, in the statement of changes in the capital of company for comparison, the data for the two previous years are presented.

The report is as close as possible to Section III. "Capital and reserves" of the balance sheet. In the absence in the reporting period of numerical values for individual articles, the articles are not listed. The exception is the presence of values for this article in the previous reporting year. If there are other significant indicators that are not provided in the form, they can be shown on additional lines.

Cash flow statement of company:

This document reflects the cash flow of company. By “cash flows” is meant not only cash flow, but also so-called cash equivalents.

The report is based on the balance principle: the balance at the beginning of the reporting period plus receipts minus the expense equals the balance at the end of the reporting period. Data on cash flows of JSC Kazan bakery No. 3 are given for the reporting and the previous year.

The statement of cash flows of company discloses information on the cash flows of the organization, describing the sources of cash inflows and the directions of their spending. The report contains information in which both owners and creditors are interested. Owners, having information about cash flows, have the opportunity to more reasonably approach the development of policies for the distribution and use of profits. Lenders can make a conclusion about the adequacy of funds from a potential borrower and his ability to generate the funds necessary to repay obligations. [27]

Appendix to the balance sheet of company:

Organizations may decide to include in the accounts a balance sheet application. This form is included in the statement of company.

In the appendix to the balance sheet, company discloses information on the property, liabilities and capital of the organization, the cost of which is reflected in the form "Balance sheet".

This form of the report is not obliged to fill in organizations related to small businesses that are not subject to mandatory audit, non-profit organizations, as well as public organizations that do not carry out business activities.

Each section of the appendix to the balance of company consists of one or several tables, in which the movement of property, liabilities or capital of the organization during the reporting period is traced. If the indicators of any lines in the company are missing, then these lines are not included in the composition of the form.

The application of company includes 8 sections:

- Section 1 "Intangible Assets";
- Section 2 "Fixed assets";
- Section 3 "Costs of research, development and technological work";
- section 4 "Financial investments";
- section 5 "Receivables and payables";
- Section 6 "Expenses for ordinary activities (for cost elements)";
- Section 7 "Provisions";
- Section 8 "State Aid".

In company in the annex to the balance sheet the following data is disclosed:

- Availability at the beginning and end of the reporting period and movement during the reporting period of long-term and short-term borrowed funds taken in the form of loans, and from other organizations;
- Availability at the beginning and end of the reporting period and the movement during the reporting period of certain types of receivables and payables, including data on overdue debts;
- Write - off of receivables to the financial result for which the limitation period has expired;
- Debtor organizations with the highest indebtedness;

- Availability at the beginning and end of the reporting period and the movement during the reporting period, certain types of intangible assets;

- Availability at the beginning and end of the reporting period and the movement during the reporting period, certain types of fixed assets;

- Availability at the beginning and end of the reporting period and the movement during the reporting period leased fixed assets;

- Accrued amounts of depreciation on intangible assets, guilty funds and low-value and wear items;

- Revaluation of fixed assets;

- Availability at the beginning and end of the reporting period and the movement during the reporting period, certain types of long-term and short-term financial investments;

- The costs of the organization for their elements, produced for the previous and reporting periods;

- Individual profits and losses identified during the reporting year and in the previous reporting year, and included in the relevant articles of the income statement;

- Some social indicators of the organization.

In the section "Intangible assets" of company leads the decoding of intangible assets that it owns.

In this section there are two tables: the first table contains data on the receipt and disposal of intangible assets, the second table contains information on depreciation charges.

"Property" contains motion data and basic residues, beginning and end reporting period of initial (replacement) value in accordance with the National Classification core (OKOF) in the following types:

- Land and environmental facilities;
- Building;
- Facilities;
- Cars and equipment;
- Yehicles;
- Production, household equipment;
- Working cattle;
- Productive livestock;

- Perennial plantations;

- Other types of fixed assets.

In addition, the cost of production fixed assets (those used in generating income from ordinary activities) and non-productive fixed assets (not used in ordinary activities) are highlighted. From the data on the cost of production fixed assets, the fixed assets leased are inactive, idle; conserved, property pledged. The information in this subsection details the relevant balance sheet item "Fixed Assets".

The section “R & D expenditures” of company contains data on the expenses of the organization for R & D. In this section there are several tables that reflect the presence and deviation of R & D results, incomplete and unformed R & D results.

The section “Financial investments” of company contains information about the financial investments of the organization. Includes information on the composition of long-term and short-term financial investments.

The section "Receivables and Payables" contains data on receivables. This highlights the balances at the beginning of the reporting period, the emergence and settlement of liabilities and balances at the end of the reporting year. The state of receivables and payables has a direct impact on the solvency of company. This condition is determined by the presence of arrears, including a period of more than three months, as well as by the presence of security for accounts payable, which is reflected in this section.

The section “Expenses for ordinary activities” contains data on expenses of company for the main type of activity. Moreover, the expenses of the organization are given by the cost elements:

- Material costs;

- Labor costs;

- Deductions for social needs;

- Depreciation;

- Other costs.

When filling out this section, the expenses for ordinary activities of company do not include:

- Costs associated with the transfer of values for the needs of its own production and service farms;

- Costs of marriage, downtime for external reasons;

- Expenses reimbursed by the perpetrators.

The section “Provisions” indicates the amount of provision that was issued or received by company at the beginning and at the end of the reporting period.

The “State Aid” section contains data implying an increase in the economic benefit of company as a result of the receipt of assets (cash, other property).

Explanatory note of company:

Explanatory note of company contains such data organizations that were not disclosed in the standard reporting forms.

The explanatory note consists of a general part and sections, in which some indicators of the balance sheet and report on financial results are deciphered.

The explanatory note to the annual financial statements of company contains significant information about the organization, its accounting policy and financial position, comparability of data for the reporting and previous years, evaluation methods and significant items of financial statements that are not appropriate to include in the balance sheet and Profit and loss account, but which are nevertheless necessary for users of financial statements. In addition to the text , the note in the explanatory company contains analytical tables. Conventionally, the information to be disclosed in the explanatory note can be grouped into several main groups:

- Information about the organization: a brief description of the structure and main activities;

-Information about the accounting policy of the organization and its changes;

- The main factors that influenced the economic and financial performance of the organization in the reporting year.

Reporting forms of company are filled using Word and Excel office programs or in 1C.

All indicators included in the forms of financial statements are compared with each other. In case of necessity of interconnection of financial statements indicators, a special table is used.

Thus, the reporting of company is a unified system of information about its property and financial position and results of economic activity, formed on the basis of accounting data. [24]

3.3. International accounting standarts IAS/IFRS

This chapter characterizes the foundation and development of the international accounting standards IAS/IFRS, the requirements on the financial statements and the applied accounting principles.

3.3.1. Development of International Financial Reporting Standards.

International Financial Reporting Standards (IFRS) - it is a system of requirements for the recognition, evaluation, presentation and disclosure of information in the financial statements of public companies based on a unified Conceptual Framework.

The reasons for the emergence of IFRS are based on the globalization of the economy - an objectively proceeding process associated with the increasing openness of national economies, their growing interdependence, deeper integration into the global economy, and, as a result, the internationalization of accounting and reporting systems.

In 1973, in London, an agreement of professional organizations from 10 countries (Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, USA, Great Britain and Ireland) created a non-governmental private professional organization - the International Standards Committee (IASC), which established a close cooperation with the International Federation of Accountants. In 1973–1989 The basis of IASC activity was the generalization of accounting practices in economically developed countries, the presentation and disclosure of information in financial statements, and the result was documents (in the form of a set of rules and explanations) under the general title “International Accounting Standards”.

The period from 1989 to 1995. It is considered to be the beginning of the formation of the IFRS system as a system of standards based on common concepts (principles). In 1989, the International Standards Board (IASC) develops the Conceptual Framework for the preparation and presentation of financial statements. A number of developing countries (Singapore, Malaysia, Cyprus, etc.) are adopting international standards as national accounting systems. Some European companies are starting to voluntarily use IFRS for consolidated financial statements. There is a view that the transition to IFRS contributes to attracting international investment.

In 1995–2000 key sets of standards are being developed, agreed with authoritative international organizations. Thus, the international organization of securities commissions recommended IFRS as the basis for reporting for listing on any stock exchanges in the world. In the same years, the laws of leading European countries (Germany, France, Italy, Austria, Finland) are allowed to use IFRS for the preparation of consolidated financial statements. However, the basis for financial reporting in these countries is still national standards. As in the United States, whose capital markets are the most developed and attractive, the national GAAP accounting system has been used to date. Accounting and accounting practitioners in North America do not recognize IFRS, believing that the American system is better suited for use in market economy countries. Due to the large US stock market, GAAP is most in demand by companies placing their securities on the capital market. Reporting by European companies, based on the principles of IFRS, is recognized on the US and Canadian exchanges only after making certain adjustments that are close to American standards. [14]

In 2000, a new stage of development of IFRS began - the stage of convergence (convergence) of international and national (primarily American) standards, which, ultimately, will lead to the formation of global financial reporting standards. In connection with the appearance of new tasks, the need has arisen to reform the International Standards Committee (IASC). Its functions were transferred to the Council (IASB), which, in turn, became part of the new structure - the IASC Foundation Fund.

The trustees (22 people in total) represent various regions of the world and international organizations, users and preparers of financial statements and are the managing structure of the Fund's Committee for IFRS. They monitor the effectiveness of the work of the Council, seek funding, approve the budget, are responsible for constitutional changes, designate members of lower structures.

The International Standards Board (IASB) is the main operating organization of the Foundation's IASCF Committee and is solely responsible for creating standards directly. The tasks of the Council are the development and publication of IFRS, draft standards, discussion papers, Conceptual Foundations, final approval of interpretations, etc. It has 14 members, 12 of whom work on a permanent basis.

The functions of the Interpretations Committee (IFRIC) include:

- Developing interpretations regarding the application of IFRS;
- Regulation of issues not covered by IFRS, based on the Conceptual Framework;
- Publication of draft interpretations;
- Consideration of comments from stakeholders;
- Obtaining the approval of the Board for the final interpretation.

The IFRIC consists of 14 Trustee-appointed members appointed by the Trustees.

The Consultative Council (SAC) advises the Council on priority areas, reports on the application of IFRS. According to the Constitution, this body may consist of 30 or more people.

In the Russian Federation, the process of accounting reform implies two ways of using IFRS:

- As a basis for developing national standards;
- For the preparation of consolidated financial statements of socially significant commercial organizations.

Approaches to the application of IFRS are set out in the Medium- term Concept for the Development of Accounting and Reporting in the Russian Federation , approved by Order No. 180 of the Minister of Finance of the Russian Federation dated July 01, 2004.

Currently, IAS standards developed by the Committee on International Financial Reporting Standards (IASC) and IFRS standards adopted by its successor - the International Standards Board (IASB) are in force. Both sets of standards have the same status and purpose.

International standards are constantly changing, being finalized, new ones are emerging. The standards of IAS (IAS) - 3, 4, 5, 6, 9, 13, 15, 22, 25, 30, 35 - were abolished. It is expected that after convergence of the IFRS and GAAP systems, 30–40% of the standards will undergo changes. [8]

3.3.2. International accounting principles

International Financial Reporting Standards are rules that establish the requirements for the recognition, evaluation and disclosure of financial and business transactions for the preparation of financial statements of companies around the world.

Some countries apply IFRS with little or no change; other countries (including Russia) adopt IFRS as the basis for the development of national standards, modifying them according to national conditions.

International Financial Reporting Standards (IFRS) are documents that define a general approach to the preparation of financial statements and offer options for the valuation and accounting of assets, liabilities and transactions for their change.

Each standard consists of the following elements: the standard number, its name, goals, scope of application, accounting procedure, basic definitions, disclosure, date of entry into force. The scope of the standard defines the specific accounting objects covered by the relevant standard, and in some cases the range of companies covered.

The Accounting Procedure section outlines the specific conditions for recognizing and evaluating accounting objects, the basic rules for their accounting, and recommendations on the use of certain rules. [8]

The "Disclosure of Information" section contains the composition of information that is subject to disclosure in the financial statements of the relevant standard.

Reporting generated under IFRS, inherent reliability, transparency and high quality.

The system of international standards, covers all major issues related to the compilation of financing owl companies reporting.

A list of current international standards can be found in the table in the Appendix 1.

Composition of financial statements in accordance with IFRS

IAS 1 "Presentation of financial statements" is the main standard that regulates the procedure for the formation of financial statements under IFRS . It defines the criteria for its compliance with the IFRS rules, as well as establishes requirements for materiality, business continuity, indicates the mandatory components of financial statements, as well as the sequence of presentation. The standard contains recommendations for the preparation of each of the main reporting forms and establishes general requirements for the recognition and evaluation of statements of transaction subjects.

Paragraph 8 of IAS 1 specifies the composition of the complete set of financial statements, which includes:

Balance sheet;

Profits and Losses Report;

Report on changes in equity, reflecting either all changes in equity, or changes in equity that differ from those arising from transactions with shareholders (shareholders);

Cash flow statement;

Notes, including a brief description of significant accounting policies and other explanatory notes.

In addition to the above documents, the financial statements may include reports on environmental protection, value added reports and other additional reports that facilitate the work of users in making economic decisions.

The frequency of financial reporting under IFRS is specified in paragraph 37 of IAS 1, which states that companies are allowed to prepare reports for a period of 52 weeks (364 days). This is less than a calendar year (approximately 52.14 weeks), but more convenient for companies reporting for this period.

Financial statements may also be generated for shorter periods. Under IFRS, this period is 6 months. Often, however, such reports and make up for a short period of time, which increases the usefulness of the financial statements. Regardless of the complexity of the operations carried out in the company, it is important that information about them is useful in the financial statements.

The basic conceptual principles of IFRS.

(IAS-IFRS) “Principles of preparation and submission of financial reports”. This document defines the most important principles underlying the reporting prepared in the IFRS format.

Fundamental accounting principles, or as they are also called - assumptions, are:

- accrual method (time certainty principle) ;
- continuity of activity.

In Russian accounting, in addition to these two, there are 2 more principles:

- the principle of consistency of accounting policies;
- property isolation.

The essence of the accrual method is that the results of operations and other events are recognized upon their completion (and not in the case when cash or cash equivalents are received or paid). They are recorded in the accounts and included in the financial statements of the periods to which they relate.

Continuity of activity. Financial statements are usually prepared on the basis of the assumption that the company is operating and will be operating in the foreseeable future. Thus, it is assumed that the company is not going and does not need to be liquidated or a substantial reduction in the scope of its activities. If such an intention or necessity exists, the financial statements should be prepared on a different basis, which must be disclosed. [25]

3.3.3. Financial statements according to IAS/IFRS

A full set of financial statements are presented once a year with comparative amounts for the previous year, including comparative amounts in notes. The full set of financial statements submitted by this company includes:

• statement of financial position at the end of the period;

• statement of profit and loss and other comprehensive income for the period. Other comprehensive income includes income and expenses that are not recognized in profit or loss in accordance with IFRS;

• statement of changes in equity for the period;

• cash flow statement for the period;

• notes containing a summary of significant accounting policies and other explanatory information; and

In the statement of financial position, the company reflects the value of the assets, liabilities and equity of the enterprise at the reporting dates.

In the statement of financial position of the company, assets and liabilities are divided into short-term (with a maturity of not more than 12 months after the reporting date) and long-term. The statement of financial position contains information:

- about fixed assets of the company;
- about investment property;
- on intangible assets;
- about financial assets;
- about investments accounted for using the equity method;
- about stocks;
- on trade and other receivables;
- about cash and cash equivalents;
- on the total amount of assets classified as held for sale;
- on trade and other payables;
- about reserves;
- on financial liabilities;
- on liabilities and assets on current income tax;
- on deferred tax liabilities and deferred tax assets.

The company's earnings report reflects:

- revenue;
- financing costs;
- the share of profits and losses of associates and joint ventures accounted for using the equity method;
- profit or loss before tax;

- expenses for tax payment;

- profit or loss.

The company's statements separately reflect:

- disposal of fixed assets;

- disposal of investments;

- ceasing activity;

- settlement of disputes;

- other reasons for the full or partial restoration of the amounts of reserves.

In a statement of cash flows, the company provides information on cash flows for the reporting period, covering both cash and cash equivalents. Cash and cash equivalents between items of the report are not included in the report itself. The same transaction may be reflected differently in the report. For example, the repayment of a loan is reflected in the group of financial activities, and the repayment of interest on it - in the group of operating activities. [25]

In a cash flow statement, the company reflects:

• cash receipts from the sale of goods and the provision of services;

• rental income from rent, fees, commissions and other income;

• cash payments to suppliers for goods and services;

• cash payments to employees and cash payments on their behalf;

• cash receipts and payments of the insurance company as insurance premiums and claims, annual contributions and other insurance rewards;

• cash payments or income tax refunds, unless they can be linked to financial or investment activities;

• cash receipts and payments under contracts concluded for commercial or trading purposes.

Currency flows are reflected in the cash flow statement at the date this movement was initiated in the company's reporting currency. To do this, the conversion of foreign currency at the exchange rate. Estimated gains and losses from changes in foreign currency exchange rates are not treated as cash flows. Therefore, the result obtained is shown separately from the cash flows from operating, investment and financial activities.

Financial and investment transactions that do not cause cash flows and cash equivalents are not included in the cash flow statement. These operations include:

• the acquisition of assets, either through the adoption of relevant obligations, or through a financial lease;

• Acquisition of a company by issuing shares;

• conversion of debt obligations into shares.

In the statement of changes in equity, the company reflects:

• net profit or loss for the period;

• capital transactions with owners and distribution to them;

• the balance of accumulated profit or loss at the beginning of the period and at the reporting date, as well as changes for the period;

• reconciliation between the book value of each class of share capital, share premium and each reserve at the beginning and end of the period and disclose each change separately.

Also, company statements contain accounting policies of the company. It describes the principles, fundamentals, conditions, rules and practices adopted by the company for the preparation and presentation of financial statements. [27]

4. PRACTICAL PART

The practical part involve case studies which focus on two choosen companies. The first one is a Russian company JSC Kazan bakery № 3., which prepares its financial statements in accordance with the russian accounting legislation and standards. The second choosen company is the international company Nestle, which prepares its financial statements in accordance with the international accounting standards IAS/IFRS. The following case studies include a characterization of these companies, their reported financial statements and accounting policies. The development of the items in their financial statements for the accounting periods 2015, 2016 and 2017 are presented and selected formulas of financial analysis are calculated.

4.1. The Russian company - case study

4.1.1. Characteristics of the JSC "Kazan bakery № 3".

The company was established in 1939. The number of employees is 1643 people. At the moment is one of the oldest manufacturers of bakery and confectionery products.

The main activity of the company is the production and sale of bakery and confectionery products.

The Company is a legal entity and builds its activities on the basis of the Company Charter and the current legislation of the Russian Federation.

Legal and postal address: Tatarstan, Kazan city, Masgut Latypov street, 60.

The authorized capital of JSC Kazan bakery No. 3 is 1 129 440 rubles. The Company Charter provides that the authorized capital may be increased by increasing the nominal value of shares and issuing additional shares.

JSC Kazan bakery No. 3 is a commercial organization and its purpose is to expand the market for goods and services and make a profit.

The Company Charter provides for the following activities of the organization:

- production of bread and flour confectionery products of non-durable storage;
- production of dry bakery products and flour confectionery products for long-term storage;
-realization of bakery and confectionery products through branded stores and retail network of the city;
- trade and business activities;
- other activities not prohibited by the legislation of the Russian Federation.

The Company conducts its business on the basis of any operations permitted by law, including the supply of goods, the performance of work, the provision of services on credit, the provision of financial or other assistance by agreement of the parties.

There is an accounting department is established to maintain accounting records in JSC “Kazan bakery No. 3”,. The accounting office of JSC Kazan bakery No. 3 employs 7 accountants. There are accountants who deal with the accounting for goods and fixed assets; keep track of costs and expenses and accept and process reports to and from warehouse managers. Another accountant deals with the personnel and payroll accounting and is responsible for the calculation of wages and salaries paid to employees, calculation of social security and health insurance payments, settlements of compensations to employees and other payroll related records. One accountant deals with the recording of all trade partners´ related accounting events, which focus on accounting liabilities to suppliers and contractors and on receivables to customers and other debtors and one accountant is responsible for recording all cash register related transactions, based on cash receipts. The senior accountant (chief accountant) organizes the work of the accounting apparatus and is engaged in the preparation and analysis of financial statements.

A computer software 1C: Accounting software 8.3. is used in JSC “Kazan bakery No. 3”. This computer software is used in most Russian companies.

For the company JSC “Kazan bakery No. 3” is characterized by a linear-functional organizational structure.

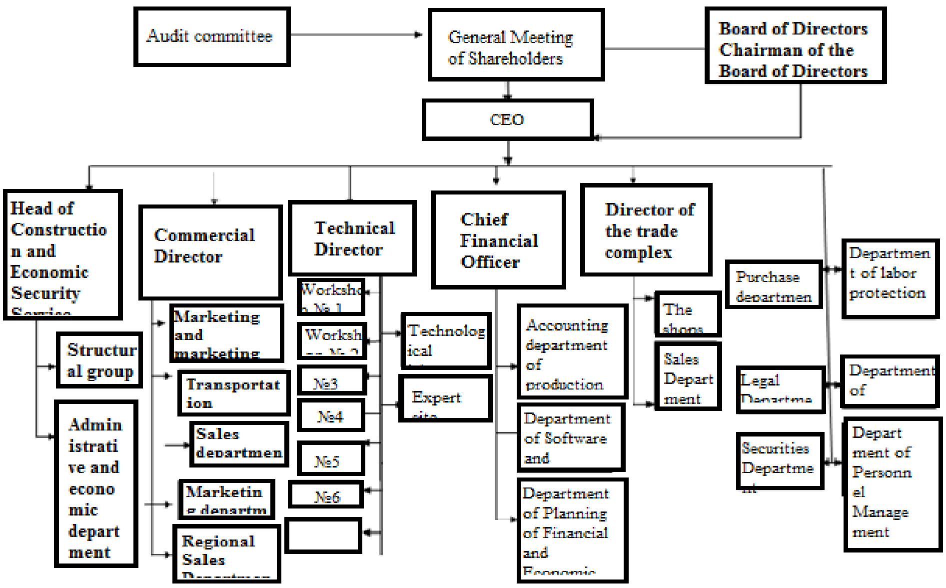

Figure 1 - Organizational structure of management of JSC Kazan bakery No. 3

JSC Kazan bakery No. 3 is part of a large holding system, namely, part of JSC Holding Company Ak Bars. The holding company unites more than 80 enterprises in all sectors of the national economy, and therefore has to draw up consolidated financial statements.

Consolidated financial statements is a general report of several enterprises or branches working together. Consolidated financial statements used in the work of a group of companies. That is, these are financial statements of the group, presented as reports of a single company.

Consolidated statements are prepared by summing up the articles of the same name from the companies in the parent company.

Consolidated financial statements, as well as standard, include:

- The balance sheet, supplemented by summaries and necessary applications.

- Report on the financial results of the company and its subsidiaries.

Consolidated statements are prepared by Ak Bars Holding Company JSC, which is the parent company, on the activities of subsidiaries, one of which is Kazan Bakery No. 3 JSC, as a single economic entity.

There are two main stages of consolidation:

- consolidation of accounting data of all enterprises in the group;

- exclusion from the summary indicators of the values related to internal operations. For example:

- investments between enterprises in the group;

- income, expenses and profits / losses from mutual operations between the group's enterprises;

- settlement operations between enterprises of the group and the balance of such calculations;

- mutual loans and debts.

Thus performed:

- consolidation of capital;

- consolidation of the balance of intragroup calculations;

- consolidation of financial results from intragroup operations.

The elimination (the procedures described in paragraph 2) is carried out with the aim of eliminating the effect of “double counting”: everything earned by joint efforts is not shown twice in one report. It is this process that is the hallmark of consolidated reporting from consolidated reporting, in which only mechanical aggregation of articles is assumed.

Formation of consolidated financial statements in the company involves compliance with a number of requirements:

- Reports must be prepared on the basis of a uniform accounting policy. (In the event that a subsidiary company uses a different accounting policy from the parent company, then appropriate amendments are made in the financial report of this company)

- the financial statements of the parent company and its subsidiaries must be prepared for the same reporting period and on the same date; the reporting period for the company is one calendar year, starting on 1st of January and ending on 31st of December

- A single currency should be maintained at each group enterprise and subsidiary. Also, the accounting reporting of each separate enterprise from the group should be in the language used by the parent enterprise; the currency used in each company is rubles and the language used is Russian;

- in the consolidated financial statements there should not be duplicate information, or mutually exclusive information.

The consolidation of statements in the Ak Bars Holding Company JSC is carried out using the 1C: Holding Management program.

In this program, a subsidiary of JSC “Kazan bakery No. 3” includes indicators of the balance sheet and financial performance report. In addition to these reports, JSC Kazan Bakery No. 3 provides interpretation of balance indicators.

4.1.2. Financial Statements and accounting policies of the Russian company

In this chapter, the accounting policies for the financial statements preparation of the choosen company (regarding mainly accounting for long-term assets, inventory, income and expenses) and the development of the items of the balance sheet and income statement are presented.

Accounting policies of the organization

Accounting in the organization is carried out by the accounting department as an independent structural unit under the leadership of the deputy general director for economics and finance. The materiality criteria is at least 5% of the total asset balance. For the recording, the accounting software 1C: Accounting software 8.3. is used.

Accounting for long-term fixed assets – the useful life of fixed assets is determined by the organization upon acceptance of the item for accounting on the basis of the Classification of fixed assets. Depreciation is calculated using the linear straight-line method.

Table 1 - Classification of fixed assets included in depreciation groups

Depreciation groups	Years of useful lifetime	Non- current assets in the category
1	1-2	Machinery and equipment, printers
2	2-3	Machinery and equipment, transport , production inventory , vehicles, perennial plantations
3	3-5	Structures and transfer device, machinery and equipment, transport, production inventory
4	5-7	Building, structures and transfer device, machinery and equipment, transport, cattle work , production inventory
5	7-10	Building, structures and transfer device, machinery and equipment, transport, cattle work , production inventory, fixed assets not included in other groups
6	10-15	Dwellings, , structures and transfer device, machinery and equipment, transport, production inventory
7	15-20	Building, structures and transfer device, machinery and equipment, transport, perennial plantations
8	20-25	Building, structures and transfer device, machinery and equipment, transport
9	25-30	Building, structures and transfer device, machinery and equipment, transport
10	Over 30	Building, dwellings, structures and transfer device, machinery and equipment, transport, perennial plantations

Source: own processing based on All-Russian classifier of fixed assets

The annual amount of depreciation is based on the initial value or (current (replacement) value (in case of revaluation) of the fixed asset and the depreciation rate, calculated on the basis of the useful life of this object. Low-value fixed assets with a value of no more than 40,000 rubles, and also books, magazines, and other publications are recorded as expenses as they are released for use in accounting, and as they are released for operation in tax accounting. Revaluation of fixed assets is not performed.

Accounting policy for Stock (Inventory) accounting –Inventories are accepted for accounting at actual cost. The actual cost of inventories acquired for a fee is the amount of the organization's actual costs of acquisition, with the exception of value added tax. The actual costs for the purchase of inventories include: amounts paid in accordance with the contract to the supplier (seller); amounts paid for information and consulting services related to the acquisition of inventories; customs duties, remuneration paid to the intermediary organization through which inventories were acquired; the cost of procurement and delivery of inventories to the place of their use, including insurance costs. These costs include, in particular, the costs of procurement and delivery of inventories; the cost of maintaining the organization's storage and storage unit, the cost of transport services for the delivery of inventories to the place of their use, accrued interest on loans provided by suppliers (commercial loan); interest on borrowed funds accrued before taking inventory into account, if they are attracted to acquire these stocks; the cost of bringing inventories to the state in which they are suitable for use in the planned purposes. These costs include the organization's costs for processing, sorting, packing and improving the technical characteristics of the reserves obtained, not related to the production of goods, the performance of work and the provision of services; other costs directly related to the acquisition of inventories.

Expenses not included in the actual costs of the acquisition of inventories are general and administrative expenses.

Purchased merchandise was recorded at the sales value with a separate account of the trading margin until 2017, from 1.8.2017 purchased merchandise is recorded at the actual acquisition costs.

The actual cost of inventories in the manufacture of the organization itself is determined on the basis of the actual costs associated with the production of these stocks.

In the event of the release of inventories to production and other disposal, they are assessed at average cost.

Accouniting policy for income and expenses - Income and expenses are accounted for on an accrual basis, that is, in the period in which they are made, regardless of the date of payment. Costs attributable to direct: 1. material costs, 2. the cost of labor of personnel involved in the production of goods, work, services, as well as the amount of the unified social tax and the cost of compulsory pension insurance to finance the insurance and funded part of the labor pension accrued on the specified amount of expenses for payment labor.

Distribution costs and commercial costs are recorded directly to the account 90 „Sales“

Providing a fee for the temporary use of property is income from other activities.

Provisions are created for wages and salaries (for holiday/vacation pay) and for the 13th and 14th salaries.

The development of items in the company's balance sheet is shown in Table 2.

Table 2 - Development of the main items of the Balance Sheet Assets of JSC «Kazan bakery №3” in thousands of rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
ASSETS				
I. NON-CARRENT ASSETS, net		221680	272714	274455
Intangible assets	1110	14	17	21
Tangible assets	1150	221588	222619	224229
Financial investments	1170	78	50078	50205
II. CURRENT ASSETS, net		1025036	675534	505729
Stocks	1210	80181	77637	72745
Value Added Tax on Acquired Values	1220	-	-	234
Receivables	1230	632248	230673	121795
Financial investments (excluding cash equivalents)	1240	300000	349620	300000
Cash and cash equivalents	1250	11155	16355	9268
Other current assets	1260	1452	1249	1687
BALANCE	1600	1246716	948248	780184

Source: own processing based on the internal materials of the company

The Non-current assets section of the balance sheet of JSC “Kazan bakery № 3” includes intangible assets, fixed assets and financial investments.

In Figure 2 we can see that the largest share (74%) in non-current assets is occupied by tangible assets of the company.

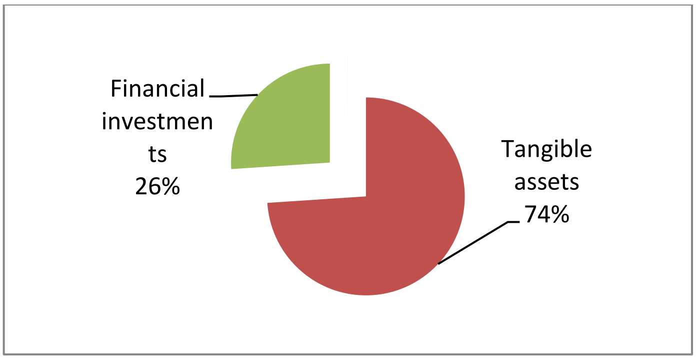

Figure 2 - Structure of non-current assets of the company at the end of 2017, source: own processing based on the balance sheet of the company

In table 3 we see the dynamics of the company's fixed assets over 3 years.

Table 3 - Development of fixed assets of the company for 3 years in thousands of rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
Fixed assets	1150	221588	222619	224229

Source: own processing based on the internal materials of the company

Company's fixed assets include:

1. Buildings - buildings, warehouses, garages, including the heating system, plumbing, sewage, ventilation, elevators, electrical networks.

2. Machinery and equipment

3. Vehicles.

4. Production equipment and accessories - storage tanks for liquids and ingredients, as well as desks, shelves.

5. Economic inventory, office equipment.

In Figure 3, we can see that in 2017 the largest share in current assets is accounts receivable (59%). The share of financial investments is 32%.

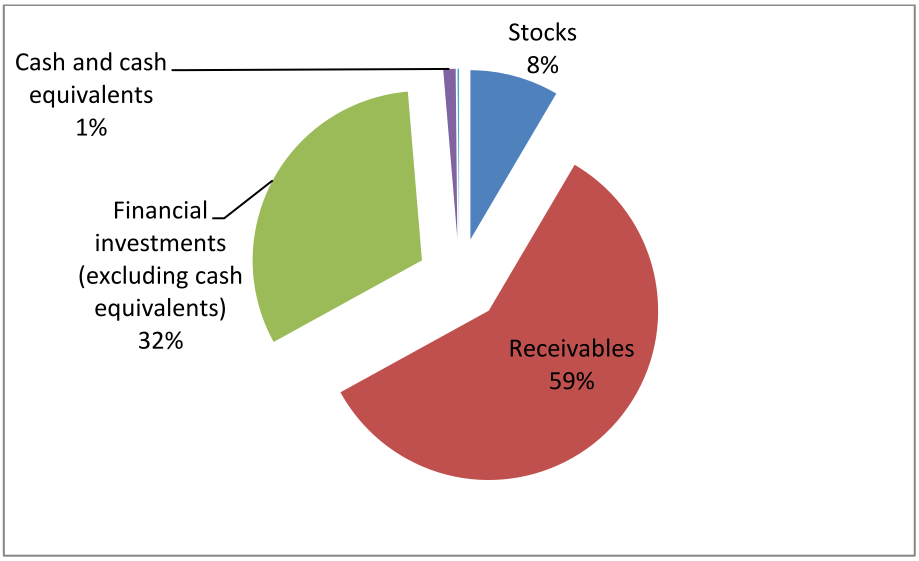

Figure 3 - Structure of current assets of the company for 2017. source: own processing based on the balance sheet of the company

Table 4 shows the dynamics of the company's inventory over 3 years.

Table 4 - Development of the company's inventory over 3 years in thousand rubles.

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
Stocks (Inventory)	1210	80181	77637	72745

Source: own processing based on the internal materials of the company

The company´s stocks include:

1) Raw materials (flour, yeast, sourdough, butter, margarine, cream);

2) Auxiliary materials;

3) Fuel;

4) Container and tare materials;

5) Purchased semi-finished products;

6) Returnable waste;

7) Finished products (bakery, confectionery);

8) Products (ice cream, water and lemonade).

Table 5 shows what the company’s receivables include. The most significant receivables of the company are advance payments and receivables to customers.

Table 5 - Development of the company's receivables for 3 years in thousand rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
Receivables	1230	632248	230673	121795
including:				
Advance payments - Settlements with suppliers and contractors	12301	423942	110425	10928
Receivables to buyers and customers	12302	135334	98290	89663
Overpayments for taxes and fees	12303	29	29	5033
Calculations on social insurance and security	12304	-	-	137
Receivables to employees	12305	1	-	-
Calculations with staff for other operations	12306	-	-	-

Table continuation

Calculations on deposits in authorized (share) capital	12307	-	-	-
Settlements with different debtors and creditors	12308	72585	21311	15741
Completed Stages for Work in Progress	12309	-	-	-
upcoming expenses reserves - prepaid expenses	12310	357	618	293

Source: own processing based on the internal materials of the company

Decoding the company's receivables can be viewed in the table in the appendix 2.

Table 6 shows that the company's cash and cash equivalents include cash and current bank accounts.

Table 6 - Development of cash and cash equivalents of the company over 3 years, in thousand rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
Cash and cash equivalents	1250	11155	16355	9268
including:				
Cash desk organization	12501	99	63	58
Operating cash	12502	-	-	-
Organization cash desk (in currency)	12503	-	-	-
Current bank accounts	12504	8064	13677	6798
Foreign currency accounts	12505	-	-	-
Letters of credit	12506	-	-	-
Check books	12507	-	-	-
Other special accounts	12508	-	-	-
Letters of credit (in foreign currency)	12509	-	-	-
Other special accounts (in foreign currency)	12510	-	-	-
Transfers in transit	12511	2992	2615	2412

Source: own processing based on the internal materials of the company

The sources of financing the assets (Equity and Liabilities) are shown in the following tables. It can be seen that the most significant part of the Equity is the cumulated profit (Retained earnings). The liabilities of the company consists mainly from borrowed funds (bank loans) and accounts payable.

Table 7 - Development of the main items of the Equity and Liabilities in the Balance sheet of JSC «Kazan bakery №3", in thousand rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
EQUITY AND LIABILITIES				
III. EQUITY		203912	199585	195186
Authorized capital (share capital, authorized capital, contributions of partners)	1310	1129	1129	1129
Own shares bought out from shareholders	1320	-	-	-
Revaluation of non-current assets	1340	11002	11002	11002
Additional capital (without revaluation)	1350	-	-	-
Reserve capital – funds	1360	169	169	169
Retained earnings (uncovered loss)	1370	191612	187285	182886
IV. LONG TERM LIABILITIES		-	15914	38519
Borrowed funds	1410	0	15914	38519
Deferred tax liabilities	1420	-	-	-
Estimated liabilities	1430	-	-	-
Other liabilities	1450	-	-	-
V. SHORT-TERM LIABILITIES		1042804	732748	546486
Borrowed funds	1510	717788	478308	325265
Accounts payable	1520	294355	225692	200423
Revenue of the future periods – Deferred revenues	1530	4616	3249	423
Estimated liabilities	1540	26045	25499	20375
Other liabilities	1550	-	-	-
BALANCE	1700	1246716	948247	780191

Source: own processing based on internal materials of the company

The largest part in the Passive (Equity and Liabilities) side of the balance sheet of the company in 2017 is short-term liabilities (84%). Figure 4 shows this.

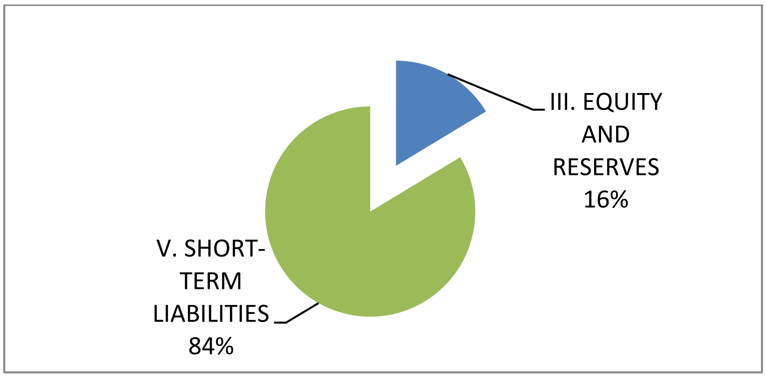

Figure 4 - The structure of the equity and liabilities of the company's balance sheet by main items for 2017, source: own processing based on the balance sheet of the company

In Table 8, we can see what the company's equity consists of.

Table 8 - The structure of the section "Equity" of the company's balance sheet, in thousand rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
EQUITY AND LIABILITIES				
III. EQUITY		203912	199585	195186
Authorized capital (share capital, authorized capital, contributions of partners)	1310	1129	1129	1129
Own shares bought out from shareholders	1320	-	-	-
Revaluation of non-current assets	1340	11002	11002	11002
Additional capital (without revaluation)	1350	-	-	-
Reserve capital	1360	169	169	169
Retained earnings (uncovered loss)	1370	191612	187285	182886

Source: own processing based on internal materials of the company

We see that over the course of three years, the values of all the indicators of this section have remained unchanged, with the exception of retained earnings, which grow from year to year.

In Table 9, we see that includes the section "Long-term liabilities".

Table 9 - Decoding the section "Long-term liabilities" of the company's balance sheet, in thousand rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
IV. LONG TERM LIABILITIES		-	15914	38519
Borrowed funds	1410	0	15914	38519
Deferred tax liabilities	1420	-	-	-
Estimated liabilities	1430	-	-	-
Other liabilities	1450	-	-	-

Source: own processing based on internal materials of the company

As we can see, in 2017 the company has no long-term liabilities, and in 2016 and 2015 this section consisted of only one line - borrowed funds.

In Table 10, we see what the “Short-term liabilities” section includes.

Table 10 - Decoding the section "Short-term liabilities" of the company's balance sheet, in thousand rubles

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
V. SHORT-TERM LIABILITIES		1042804	732748	546486
Borrowed funds	1510	717788	478308	325265
Accounts payable	1520	294355	225692	200423
revenue of the future periods	1530	4616	3249	423
Estimated liabilities	1540	26045	25499	20375
Other liabilities	1550	-	-	-

Source: own processing based on internal materials of the company

From the table, we see that in 2017 compared to 2015, the amount of short-term obligations almost doubled.

In Figure 5, we see that most of the short-term liabilities are borrowed funds (69%).

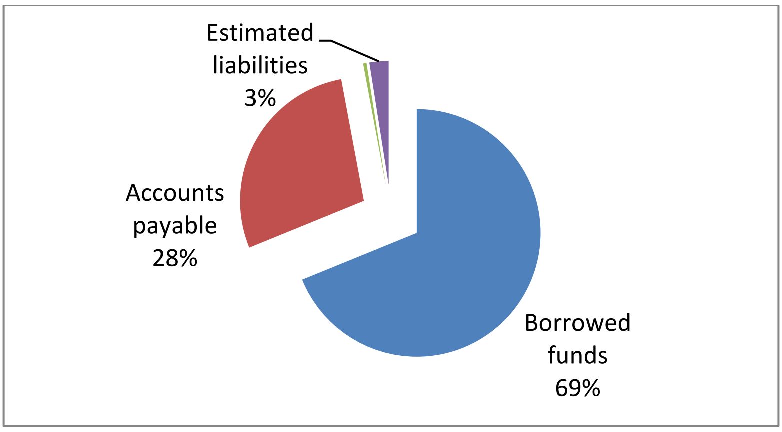

Figure 5 - Structure of short-term liabilities of the company, source: own processing based on the balance sheet of the company

The following table presents a breakdown of the company's borrowed funds for 2017.

Table 11 - Overview of borrowed funds of the company for 2017, in thousand rubles

Counterparty	Amount, thousand rubles
long term duties	
Loans	
Credits	

Table continuation

Short-term liabilities	717 788,00
Loans	301 966,00
LLC "Yurkom"	301 966,00
Credits	415 822,00
TATSOTSBANK JSC	11 663,00
PJSC "Sberbank of Russia"	404 159,00
TOTAL (line 1510):	717 788,00

Source: own processing based on the materials of the company

An overview of the company’s accounts payable for 2017 is presented in the table in the Appendix 3.

Income Statement of JSC “Kazan bakery №3”

The Income statement of the chosen Russian company is reporting the expenses by function. The development of the items of the Income statement can be seen in Table 12.

Table 12 - Development of the main items of the Income Statement of JSC «Kazan bakery №3, in thousand rubles

Name of the indicator	Code	on December 31, 2017	on December 31, 2016	on December 31, 2015
Revenue	2110	1820415	1683747	1483187
Cost of sales	2120	(1225765)	(1100942)	(1001628)
Gross profit (loss)	2100	594650	582805	481559
Selling expenses	2210	(368297)	(401610)	(322328)
Administrative expenses	2220	-	-	-
Profit (loss) from sales	2200	226353	181195	159231
Income from participation in other organizations	2310	-	-	-
Interest receivable	2320	32814	37562	23450
Interest to be paid	2330	(46478)	(46740)	(23490)
Other income	2340	50171	245644	36198
other expenses	2350	(230872)	(374121)	(165257)
Profit (loss) before tax	2300	31988	43540	29628
Current income tax	2410	(24188)	(23825)	(16093)
Change in deferred tax liabilities	2430	-	-	-
Change in deferred tax assets	2450	-	-	-
Other	2460	(3473)	(15316)	31
Income tax last year	2400	4327	4399	13620

Source: own processing based on the internal materials of the company

In the table 13 we can see what the cost of sales consists of.

Table 13 - Deciphering of the section “Cost of sales” of the Income Statement of the enterprise, in thousand rubles.

Name of the indicator	Code	on December 31, 2017	on December 31, 2016	on December 31, 2015
Cost of sales	2120	-1225765	-1100942	-1001628
including: on activities with the main tax system	21201	-1225765	-1100942	-1001628
on certain types of activities (UTII)	21202	-	-	-

Source: own processing based on the internal materials of the company

The article "Other incomes" includes many items listed in the table 14.

Table 14 - Deciphering of the section “Other incomes” of the Income Statement of the enterprise, in thousand rubles.

Name of the indicator	Code	on December 31, 2017	on December 31, 2016	on December 31, 2015
Other income	2340	50171	245644	36198
including: Incomes related to the sale of fixed assets	23401	25	3846	-
Incomes related to the sale of other property	23403	30794	207594	24527
Revenues from assets transferred for use	23406	5387	5677	5421
Revenues in the form of recovery of reserves	23407	-	18460	4031
Other operating income	23408	6674	9298	1776
Fines, penalties, forfeit receivables	23409	6307	10	355
Past profit	23410	443	29	9

Table continuation

	Reimbursement of losses receivable	23411	264	117	-
	Exchange differences	23412	-	21	-
	Revenues in the form of written off payables	23413	277	592	79

Source: own processing based on the internal materials of the company

From the figure we see that the largest share in other income is Incomes related to the sale of other property (61%), Other operating income (13%) and Received fines and penalties, forfeit receivables (13%).

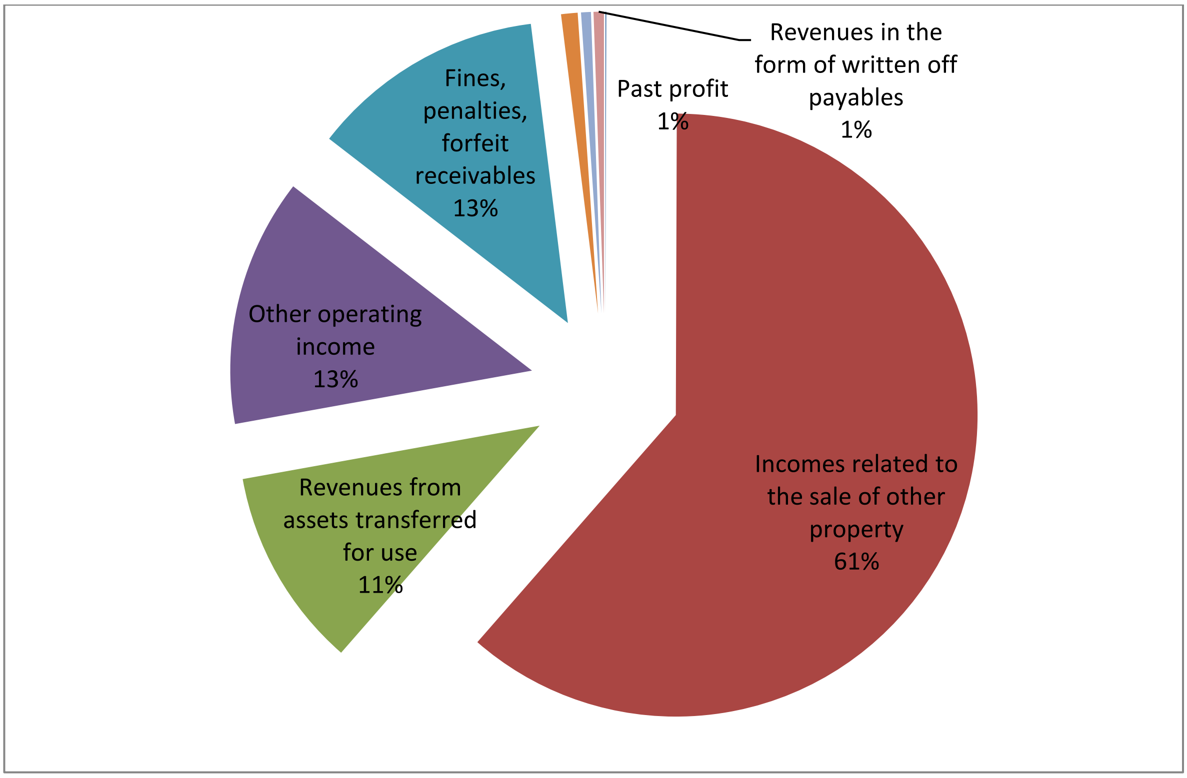

Figure 6 - Structure of Other incomes of the company for 2017, source: own processing based on the materials of the company

Results of the financial analysis

Analysis of financial statements should begin with an analysis of liquidity of the balance sheet. The task of analyzing balance sheet liquidity in the course of analyzing the financial condition of an enterprise arises in connection with the need to assess the company's creditworthiness, i.e., its ability to pay all its obligations in a timely and complete manner, since liquidity is the company's ability to pay its short-term liabilities by realizing its assets. Analysis of balance sheet liquidity consists in comparing funds by asset, grouped by liquidity and arranged in descending order of liquidity, with liabilities grouped by maturity and arranged in order of increasing maturity.

Grouping of assets and liabilities of the balance sheet of the enterprise you can see in table 15.

Table 15 - Analysis of liquidity of the company's balance sheet by groups of assets and liabilities for three years, in thousands of rubles

Assets	2017	2016	2015	Passive	2017	2016	2015
A1	311155	365975	309268	P1	294355	225692	200423
A2	632248	230673	121795	P2	743833	503807	345640
A3	81633	78886	74666	P3	4616	19163	38942
A4	221680	272714	274455	P4	203912	199585	195186
Balance	1246716	948248	780184	Balance	1246716	948247	780191

Source: own processing based on the company's financial statements

All assets of the company, depending on the degree of liquidity, ie, the rate of transformation into cash, can be divided into several groups:

A1 - the most liquid assets; (cash and short-term financial investments)

A2 - marketable assets; (accounts receivable)

A3 - slow-moving assets; (articles of section 2 "Current assets", except for cash, short-term financial investments and debt)

A4 - illiquid assets. (non-current assets)

Obligations for increasing maturity are also divided into 4 groups:

P1 - the most urgent liabilities; (accounts payable)

P2 - short-term liabilities; (borrowed funds of section 5, “Short-term liabilities”, reserves of future short-term liabilities)

P3 - long-term liabilities; (long term liabilities and deferred income)

P 4 - permanent (stable) liabilities. (articles of section 3 “Capital and reserves").

The standard is the following relationship:

A1 ≥ P1

A2 ≥ P2

A3 ≥ P3

A4 < P4

Analysis of balance sheet liquidity showed the following relationship of assets and liabilities of the company for 3 years:

2017		2016		2015	
A1>	P1	A1>	P1	A1>	P1
A2<	P2	A2<	P2	A2<	P2
A3>	P3	A3>	P3	A3>	P3
A4>	P4	A4>	P4	A4>	P4

This means that the company's short-term debtor debt and other current assets are not in the position of the company's short-term loans. And the amount of non-current assets exceeds the amount of the company's own capital, which indicates a lack of own funds in the company.

Table 16 presents an express analysis of the financial condition of the company.

Table 16 - Express analysis of the financial condition of the company for three years, in thousands of rubles and %

Indicators	2015	2016	2017	Deviation of 2016 from 2015 (thousand of rubles)	Deviation of 2017 from 2016 (thousand of rubles(	Growth rate for 2016 , in %	Growth rate for 2017, in %
1	2	3	4	5=3-2	6=4-3	7=3/2*100	7=4/3*100
1. Total of balance	1246716,00	948249,00	780185,00	-298467,00	-168064,00	76,06	82,28
2. Non-current assets	274455,00	272714,00	221680,00	-1741,00	-51034,00	99,37	81,29
3. Share of non-current assets,% (2/1 * 100)	22,01	28,76	28,41	6,75	-0,35	130,64	98,80
4. Accounts Receivable	121759,00	230673,00	632248,00	108914,00	401575,00	189,45	274,09
5. Share of receivables,% (4/1 * 100)	9,77	24,33	81,04	14,56	56,71	249,08	333,13
6. Net profit	13620,00	4399,00	4327,00	-9221,00	-72,00	32,30	98,36
7. Return on assets,% (6/1 * 100)	1,09	0,46	0,55	-0,63	0,09	42,46	119,55
8.Total equity	195179,00	199585,00	203912,00	4406,00	4327,00	102,26	102,17
9. Return on equity,% (6/11 * 100)	6,98	2,20	2,12	-4,77	-0,08	31,59	96,28

Source: own processing based on the company's financial statements

The biggest growth rate is examined in the class of Accounts receivable and Total equity.

The table 17 shows the calculation of liquidity ratios.

Table 17 - Calculation of liquidity ratios of the company for 2015 - 2017, in thousands of rubles

Indicators	Recommended values	2017	2016	2015	Deviation of 2017 from 2016	Deviation of 2016 from 2015
1. Cash and equivalents	-	11155,00	16355,00	9268,00	-5200,00	7087,00
2. Current assets	-	1025036,00	675534,00	505729,00	349502,00	169805,00
3. Stocks	-	80181,00	77637,00	72745,00	2544,00	4892,00
4. Short-term liabilities	-	1042804,00	732748,00	546486,00	310056,00	186262,00
Absolute ratio	0,2 - 0,25	0,01	0,02	0,02	-0,01	0,01
Quick ratio	0,8 - 1,0	0,91	0,82	0,79	0,09	0,02
Current ratio	1,5 - 2,5	0,98	0,92	0,93	0,06	0,00

Source: own processing based on the company's financial statements

The absolute liquidity ratio shows what proportion of short-term liabilities can be covered by cash and cash equivalents, that is, absolutely liquid assets. This ratio is below the recommended value. This means that the company does not have enough cash to repay short-term liabilities.

The quick ratio does not include stocks. This ratio is within the normal range. This means that the company is able to quickly repay short-term liabilities with current assets.

The current liquidity ratio indicates the company's ability to repay current (short-term) liabilities at the expense of current assets only. The greater the value of the coefficient, the better the solvency of the enterprise. This coefficient is lower than the recommended value. This means that the company has difficulties in making current commitments. Thus, the company should reduce payables and reduce current assets.

The table 18 shows the calculation of return on equity.

Table 18 - Calculation of return on equity of company for 2015 - 2017, in thousands of rubles

Indicators	2017	2016	2015	Deviation of 2017 from 2016		Deviation of 2016 from 2015	
				Absolute	Relative,%	Absolute	Relative,%
1	2	3	4	5=2-3	6=5/3*100	7=3-4	8=7/4*100
Net income	4327,00	4399,00	13620,00	-72,00	-1,64	-9221,00	-67,70
Total equity	203912,00	199585,00	195186,00	4327,00	2,17	4399,00	2,25
Return on equity	0,02	0,02	0,07	0,00	-3,72	-0,05	-68,41

Source: own processing based on the company's financial statements

Return on equity is shows how effectively the capital invested in the business was used, that is, it shows the amount of profit that the company will receive per unit cost of equity. The the return on equity decreased from 2015 to 2017, mainly due to the decrease of net income. This means that the company's own capital is growing, and borrowed capital is declining, and asset turnover is falling.

The table 19 shows the calculation of return on assets.

Table 19 - Calculation of return on assets of company for 2015 - 2017, in thousands of rubles

Indicators	2017	2016	2015	Deviation of 2017 from 2016		Deviation of 2016 from 2015	
				Absolute	Relative,%	Absolute	Relative,%
1	2	3	4	5=2-3	6=5/3*100	7=3-4	8=7/4*100
Net income	4327,00	4399,00	13620,00	-72,00	-1,64	-9221,00	-67,70
Total assets	1246716,00	948248,00	780184,00	298468,00	31,48	168064,00	21,54
Return on assets	0,0035	0,0046	0,0175	-0,0012	-25,19	-0,01	-73,43

Source: own processing based on the company's financial statements

Return on assets is a financial ratio that characterizes the return on the use of all assets of the organization. Reflects the profitability obtained by using both own and borrowed capital. The higher the return on assets ratio, the more efficient the enterprise’s operations. The profitability of the company's assets decreases every year. This means that the company's net profit decreases, the average cost of non-current assets and current assets grows, and asset turnover decreases.

The table 20 shows the calculation of return on sales.

Table 20 - Calculation of return on sales of company for 2015 - 2017, in thousands of rubles

Indicators	2017	2016	2015	Deviation of 2017 from 2016		Deviation of 2016 from 2015	
				Absolute	Relative,%	Absolute	Relative,%
1	2	3	4	5=2-3	6=5/3*100	7=3-4	8=7/4*100
Net income	4327,00	4399,00	13620,00	-72,00	-1,64	-9221,00	-67,70
Revenues	1820415,00	1683747,00	1483187,00	136668,00	8,12	200560,00	13,52
Return on sales	0,0024	0,0026	0,0092	-0,0002	-9,0214	-0,0066	-71,5491

Source: own processing based on the company's financial statements

Return on sales is an indicator of the financial performance of the organization, showing how much of the company's revenue is profit and shows how much profit the company receives from each ruble of products sold. This indicator is decreasing from year to year. This is due to the fact that the growth of costs outpaced the growth of revenue. This may have been affected by lower prices, an increase in the cost rate, or a change in the structure of the range of sales.

4.2 International company

4.2.1. Characteristics of the Nestle

Nestle is a Swiss company, the world's largest food producer. Nestle also specializes in pet food, pharmaceuticals and cosmetics. The main office of the company is located in the Swiss city of Vevey.

The company was founded in 1866.

Nestle produces instant coffee, mineral water, chocolate, ice cream, broths, dairy products, baby food, pet food, pharmaceutical products and cosmetics.

The main activity of Nestle is related to food production. In addition, the company "Nestle" owns shares of enterprises of the perfumery-cosmetic and pharmaceutical industries. Today Nestle is the largest food producer in the world. The product range includes over 10,000 brands of food. The “Nestle” group employs over 330,000 people and owns 522 factories in 86 countries.

Nestle's goal is to create a high quality product, secured and unchanged for a long time, serving the needs of consumers in nutrition, pleasure and quality that they can trust. Since its founding more than 150 years ago, Nestle has been developing its activities using the most innovative and modern technologies, the latest scientific achievements, and taking full responsibility for the safety and quality of its products.

The main activity of Nestle is related to food production. In addition, the company "Nestle" owns shares of enterprises of the perfumery-cosmetic and pharmaceutical industries.

The mission of Nestle: "Good Food, Good Life" is to provide consumers with the most successful choice in a wide range of food and beverages and the "tidbit" from morning to night. "

Today, Nestle is the leader in the market of instant coffee, cocoa, baby food, cooking, breakfast and instant cereal markets, and also occupies a leading position in the market of packaged chocolate, ice cream and pet food.

Currently, the company's products in various markets are the following brands:

• Coffee: Nescafe, Taster's Choice, Ricore, Ricoffy, Nespresso, Bonka, Zoegas, Lumidis;

• Mineral water: Nestle, Pure Life, Nestle Aquarel, Perrier, Vittel, Contrex, S. Pellegrino, Acqua Panna, Levissima, Vera, Ferst Bismarckv, Viladrau, Arrowhead, Poland Spring, Sante Maria, La Vie, Deer Park, Al Manhal , Ozarka, Hepar, San Bernardo, Buxton, Harzer Grauhof, Hidden Spring, Ice Mountain, Naliczowianka, zephyrhills

• Other drinks: Nestea, Nesquik, Nescau, Milo, Carnation, Libby's, Caro, Calistoga, Juicy Juice, Nestomalt

• Dairy products: Nestle, Nido, Nespray, Ninho, Carnation, Milkmai, La Lechera, Moca, Klim, Gloria, Svelty, Molico, Nestle Omega Plus, Bear Brand, Coffee-Mate, Lc1, Chamuto, La Laitiere, Sveltesse, Yoco , Svelty, Molico, Munch Bunch, Chambinho, Baeren Marke

• Breakfast cereals: Nestle

• Baby food: Nestle, Nan, Lactogen, Beba, Nestogen, Cerelac, Neslac, Nestum, Guigoz, Bona, Alete, Good Start

• Special meals: Nutren, Clinutren, Peptamen, Modulen

• Sports nutrition: Power Bar, Pria, Musashi

• Culinary products (broths, soups, seasonings, pasta, sauces): Maggi, Buitoni, Crosse & Blackweel, Winiary, Ortega

• Frozen foods (convenience foods, pizza): Maggi, Buitoni, Stouffer's, Hot Pockets

• Ice cream: Nestle, Frisco, Camy, Savory, Peters, Heagen Dasz, Moevenpick, Chambinho, Sheller, Frigor

• Chilled products (products from chilled meat, dough, pasta, pizza, sauces): Nestle, Buitoni, Herta, Toll House, Lean Cuisine, Sabra, Wagner, La Cocinera

• Chocolate, pastry, cookies: Nestle, Crunch, Cailler, Galak / Milkybar, Kit-Kat, Smarties, Baci, After Eight, Butterfinger, Lion, Aero, Polo, Frutips, Rowntrees, Passa Tempo, Wonka

• Catering: Chef, Davigel, Minor's

• Animal feed: Purina, Friskies, Darling, Gourmet

• Pharmaceutical products: Alcon, Galderma

• Cosmetics: L’oreal, Laboratories Inneo

Nestlé is a multinational corporation, one of the oldest and most well-known food manufacturers. It has 522 plants in 86 countries and more than 300,000 employees. Headquartered in Switzerland. Operating companies that carry out current activities are fully responsible for profits and losses. The board of directors of the company includes 15 members. The organizational structure of the company "Nestle" is a linear-functional.

Organizational structure is the formal framework by which jobs tasks are divided, grouped, and coordinated. Nestlé is a function-based organization. The tasks are divided into separate jobs and then these jobs are grouped together under different departments i.e. functional departmentalization is found in organization. Each major area is kept under the manager who is specialist in that concerned field and is responsible for all activities, which that department performs.

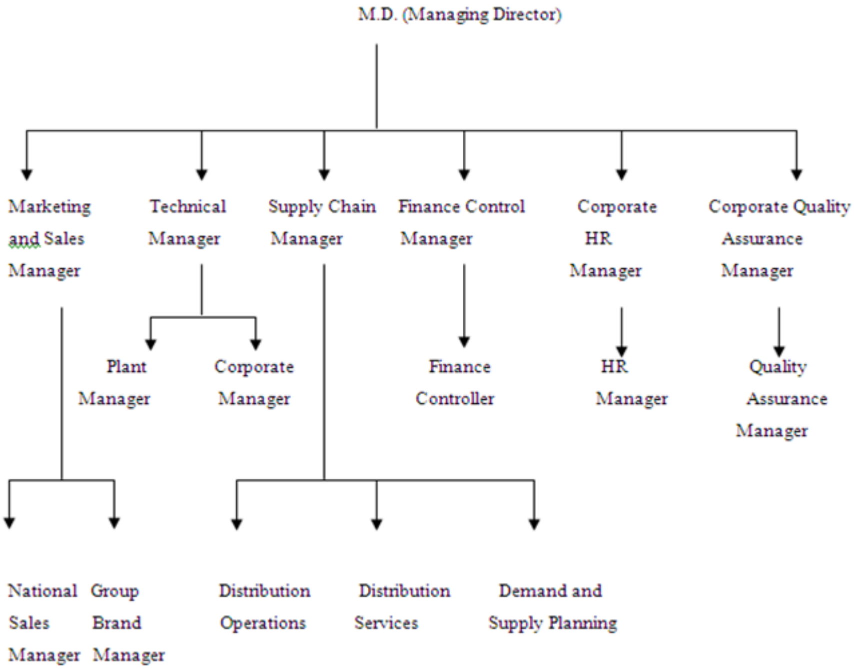

Figure 7 - Organizational structure of Nestle

Table 21 - Responsibilities of employees of the company, distributed by department

Department	Function
Marketing Manager	- informs the necessary employees about the company's marketing plans; - plans to place equipment for merchandising; - collects information about the activities of competitors and sends proactive information about their possible activity; - develops and implements market research.

Table continuation

The finance Manager	- analyzes the activities of each individual bottler or distributor and recommends changes in the structure and level of analysis of selling prices, staff remuneration, financial policies; - carries out bookkeeping and financial planning.
The HR Manager	- provides recruitment.
The production Manager	- ensures the functioning of the beverage industry, their packaging and quality control.
The technical Manager	- makes repair and maintenance of commercial equipment.
Trading Manager	- performs sales functions; - provides control of the customer base, their accounting, the search for new customers; - ensures the work of sales representatives; -controls the work of merchandisers.
The logistics Manager	- performs operations and their control over the delivery of goods to the warehouses of wholesale, retail customers or distributors.

Source: own processing based on the company's financial statements

4.2.2. Financial Statements of the Nestle

Accounting policies of the company

Accounting policy for Stocks (Inventory)

Raw materials and purchased finished goods are valued at the lower of purchase cost calculated using the FIFO (first-in, first-out) method and net realisable value. Work in progress, sundry supplies and manufactured finished goods are valued at the lower of their weighted average cost and net realisable value. The cost of inventories includes the gains/losses on cash flow hedges for the purchase of raw materials and finished goods.

Other revenue

Other revenue are primarily sales-based royalties and license fees from third parties which have been earned during the period.

Fixed assets

Reviews of the carrying amount of the Group's property, plant and equipment are performed when there is an indication of impairment.

In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the risks specific to the country where the assets are located. The risks specific to the asset are included in the determination of the cash flows. The Company owns land and buildings which have been depreciated in the past. Office furniture and equipment are fully depreciated on acquisition.

Property, plant and equipment

Property, plant and equipment are shown on the balance sheet at their historical cost. Depreciation is provided on components that have homogenous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The residual values are 30% on head offices and nil for all other asset types.

The useful lives are as follows:

Vehicles	3-10 years
Tools, furniture, information technology and sundry equipment	3-15 years
Machinery and equipment	10-25 years
Buildings	20-40 years
Land	not depreciated

Source: company's financial statements

Intangible assets

Trademarks and other industrial property rights are written off on acquisition or exceptionally over a longer period, not exceeding their useful lives.

Provisions

Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, environmental, litigation and other risks. Provisions are measured at the present value of the expenditures unless the impact of discounting is immaterial.

Expenses

Cost of goods sold is determined on the basis of the cost of production or of purchase, adjusted for the variation of inventories. All other expenses, including those in respect of advertising and promotions, are recognised when the Group receives the risks and rewards of ownership of the goods or when it receives the services. Additional details of specific expenses are provided in the respective notes.

Taxes

This caption includes taxes on profit, capital and withholding taxes on transfers from Group companies.

Compare the change in the company's balance sheet. For this we use Table 22.

Table 22 - Development of the main items of the Balance Sheet Assets of Nestle in millions of CHF

Assets	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
Current assets			
Cash and cash equivalents	7 938	7 990	4 884
Short-term investments	655	1 306	921
Inventories	9 061	8 401	8 153
Trade and other receivables	12 422	12 411	12 252
Prepayments and accrued income	607	573	583
Derivative assets	231	550	337
Current income tax assets	919	786	874
Assets held for sale	357	25	1 430
Total current assets	32 190	32 042	29 434
Non-current assets			
Property, plant and equipment	27 775	27 554	26 576
Goodwill	29 748	33 007	32 772
Intangible assets	20 615	20 397	19 236
Investments in associates and joint ventures	11 628	10 709	8 675
Financial assets	6 003	5 719	5 419
Employee benefits assets	392	310	109
Current income tax assets	62	114	128
Deferred tax assets	1 967	2 049	1 643
Total non-current assets	98 190	99 859	94 558
Total assets	130 380	131 901	123 992

Source: own processing based on the financial statement of company

The Current assets section of the balance sheet of Nestle includes: cash and cash equivalents, short-term investments, inventories, trade and other receivables, prepayments and accrued income, derivative assets, current income tax assets and assets held for sale.

In Figure 8 we can see that the largest share in current assets is occupied by Trade and other receivables (38%), Inventories (28%) and Cash and cash equivalents (25%).

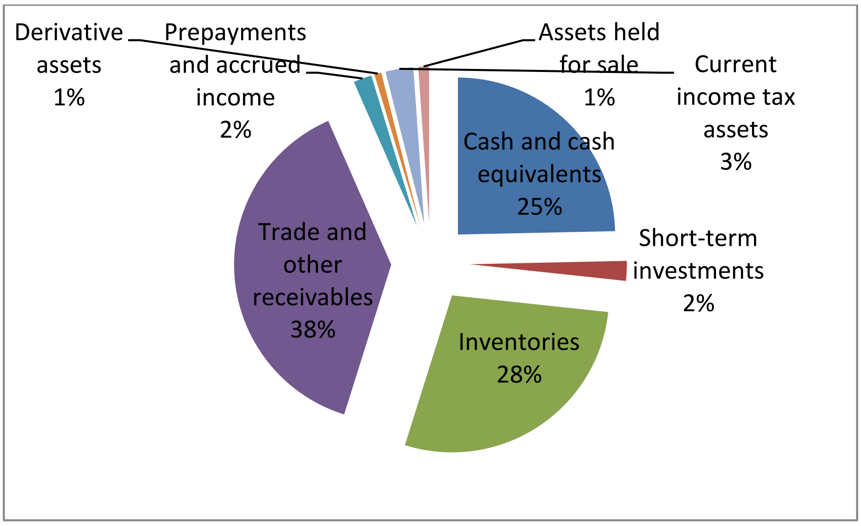

Figure 8 - Structure of current assets of the company at the end of 2017, own processing

The Non-current assets section of the balance sheet of Nestle includes: property, plant and equipment, goodwill, intangible assets, investments in associates and joint ventures, financial assets, employee benefits assets, current income tax assets and deferred tax assets.

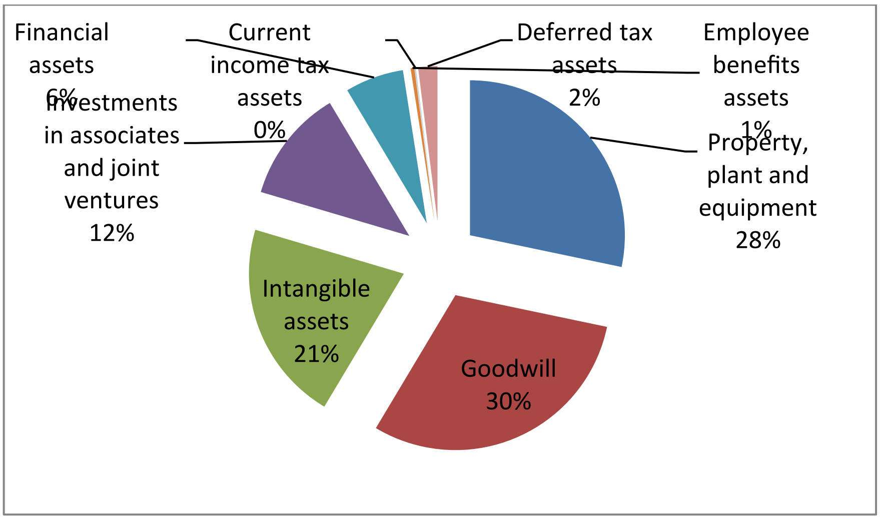

Figure 9 - Structure of non-current assets of the company at the end of 2017, own processing

In Figure 9 we can see that the largest share in non-current assets is occupied by Goodwill (30%), Property, plant and equipment (28%) and Intangible assets (21%).

The Current liabilities of Nestle includes: financial debt, trade and other payables, accruals and deferred income, provisions derivative liabilities, current income tax liabilities and liabilities directly associated with assets held for sale

Table 23 - Structure of Current liabilities of Nestle in millions of CHF

Current liabilities	2017 year	2016 year	2015 year
Financial debt	10 536	12 118	9 629
Trade and other payables	18 872	18 629	17 038
Accruals and deferred income	4 094	3 855	3 673
Provisions	863	620	564
Derivative liabilities	507	1 068	1 021
Current income tax liabilities	1 170	1 221	1 124
Liabilities directly associated with assets held for sale	12	6	272
Total current liabilities	36 054	37 517	33 321

Source: company's financial statements

In Figure 10 we can see that the largest share in Current liabilities is occupied by Trade and other payables (52%) and Cash and Financial debt (29%).

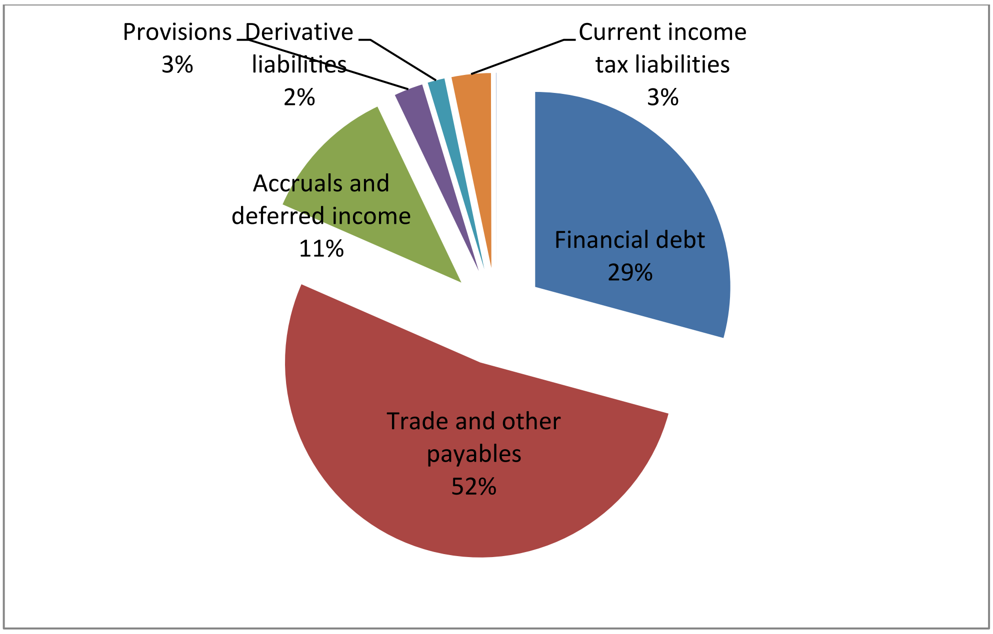

Figure 10 - Structure of Current liabilities of the company at the end of 2017, own processing

The Non-current liabilities of Nestle includes: financial debt, employee benefits liabilities, provisions, deferred tax liabilities, and other payables

Table 24 - Structure of Non-current liabilities of Nestle in millions of CHF

Non-current liabilities	2017 year	2016 year	2015 year
Financial debt	15 932	11 091	11 601
Employee benefits liabilities	7 111	8 420	7 691
Provisions	2 445	2 640	2 601
Deferred tax liabilities	3 559	3 865	3 063
Other payables	2 502	2 387	1 729
Total non-current liabilities	31 549	28 403	26 685

Source: company's financial statements

In Figure 11 we can see that the largest share in non-current liabilities is occupied by Financial debt (50%) and Employee benefits liabilities (23%).

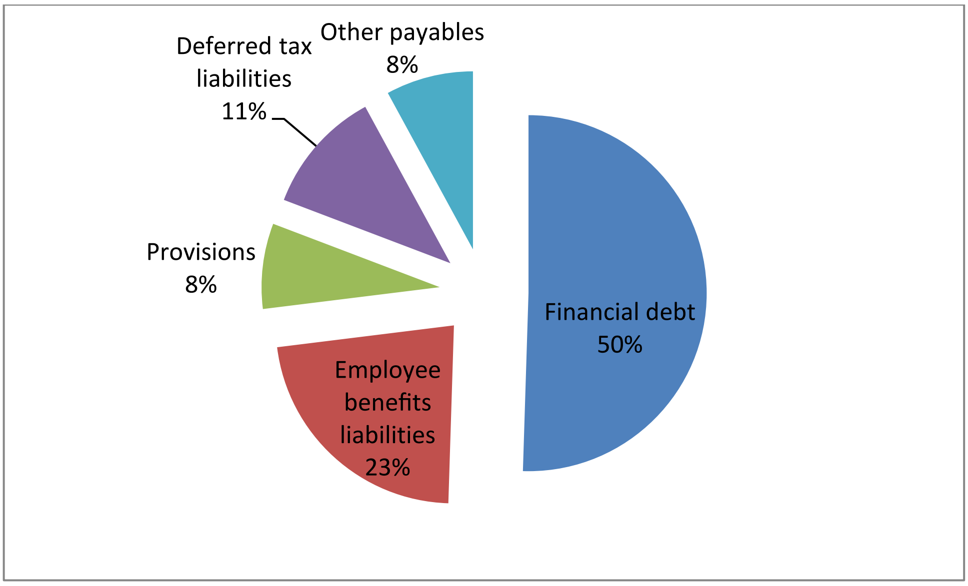

Figure 11 - Structure of non-current liabilities of the company at the end of 2017, own processing

The Equity of Nestle includes: share capital, treasury shares, translation reserve, other reserves, retained earnings, total equity attributable to shareholders of the parent and non-controlling interests

Table 25 - Structure of Equity of Nestle in millions of CHF

Equity	2017 year	2016 year	2015 year
Share capital	311	311	319
Treasury shares	-4 537	-990	-7 489

Table continuation

Translation reserve	-19 433	-18 799	-19 851
Other reserves	989	1 198	1 345
Retained earnings	84 174	82 870	88 014
Total equity attributable to shareholders of the parent	61 504	64 590	62 338
Non-controlling interests	1 273	1 391	1 648
Total equity	62 777	65 981	63 986

Source: company's financial statements

In Figure 12 we can see that the largest share in Equity is occupied by Retained earnings (49%) and Total equity attributable to shareholders of the parent (36%).

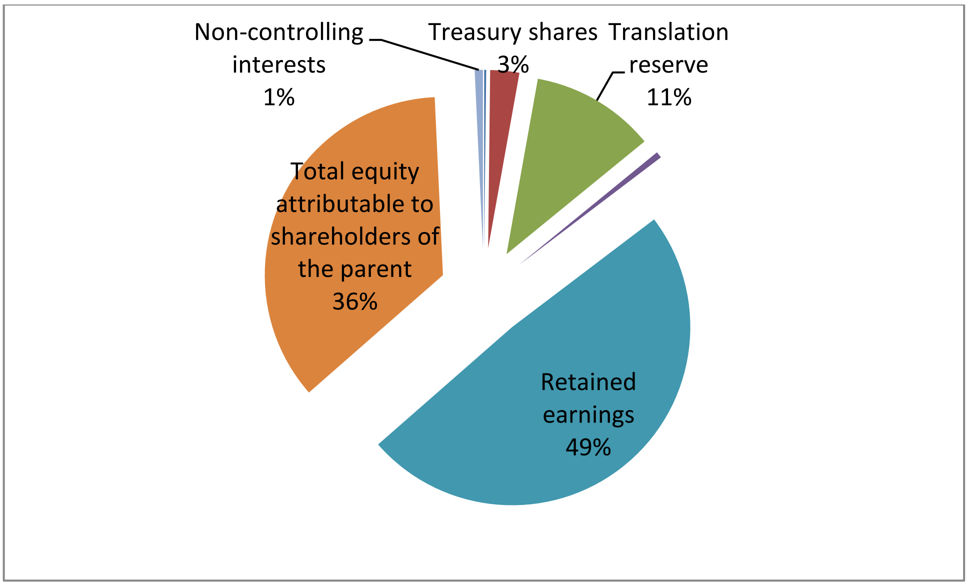

Figure 12 - Structure of Equity of the company at the end of 2017, own processing

Income Statement of Nestle

The Income Statement of Nestle include following expenses: cost of goods sold, distribution expenses, marketing and administration expenses, research and development costs, other trading expenses, other operating expenses, financial expense and taxes.

Table 26 - Income Statement expenses of Nestle in millions of CHF

Expenses	2017 year	2016 year	2015 year
Cost of goods sold	44 923	44 199	44 730
Distribution expenses	8 205	8 059	7 899

Table continuation

Marketing and administration expenses	20 540	21 485	20 744
Research and development costs	1 724	1 736	1 678
Other trading expenses	1 607	713	728
Other operating expenses	3 500	884	1 100
Financial expense	771	758	725
Taxes	2 779	4 413	3 305

Source: company's financial statements

In Figure 13 we can see that the largest share in expenses is occupied by Cost of goods sold (54%) and Marketing and administration expenses (24%).

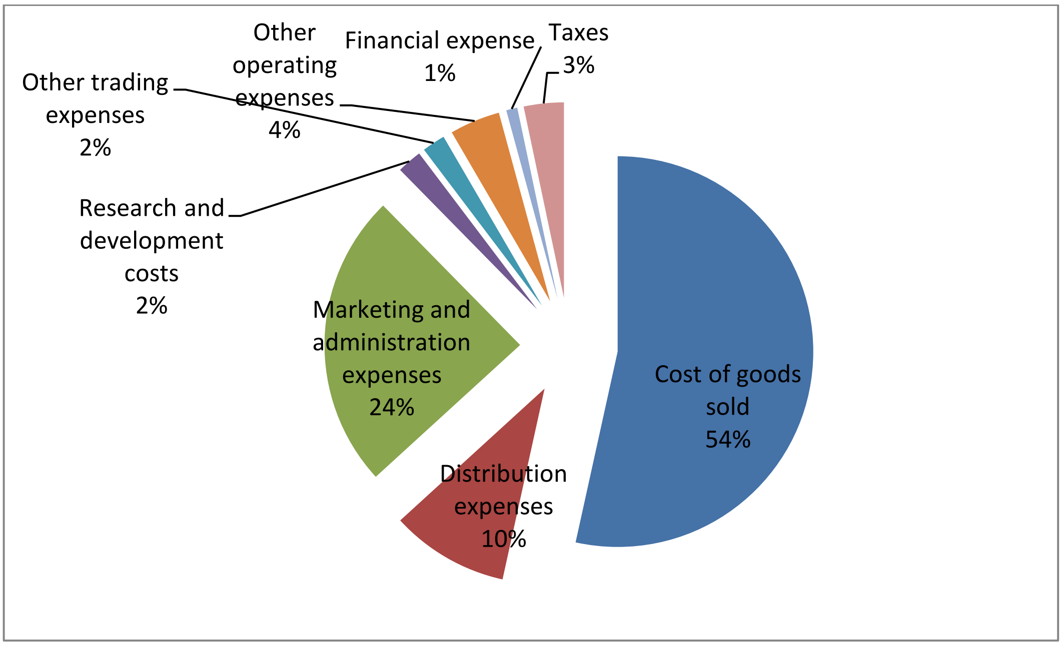

Figure 13 - Structure of Income Statement expenses of the company at the end of 2017

Results of the financial analysis

Just as in the Russian company, you should start with an analysis of balance sheet liquidity in connection with the need to assess the company's creditworthiness.

Grouping of assets and liabilities of the balance sheet of the enterprise you can see in table 27.

Table 27 - Analysis of liquidity of the company's balance sheet by groups of assets and liabilities for three years, in millions of CHF

Assets	2017	2016	2015	Passive	2017	2016	2015
A1	8593	9296	5805	P1	20042	19850	18162
A2	12422	12411	1222	P2	16012	17667	15159
A3	11175	10335	22407	P3	31549	28403	26685
A4	98190	99859	94558	P4	62777	65981	63986
Balance	130380	131901	123992	Balance	130380	131901	123992

Source: own processing based on the company's financial statements

All assets of the company divided into several groups:

A1 - the most liquid assets; (cash and short-term financial investments)

A2 - marketable assets; (trade and other receivables)

A3 - slow-moving assets; (Total current assets excluding cash and cash equivalents Short-term investments and Trade and other receivables)

A4 - illiquid assets. (non-current assets)

Obligations for increasing maturity are also divided into 4 groups:

P1 - the most urgent liabilities; (trade and other payables and the current income tax)

P2 - short-term liabilities; (Current liabilities excluding trade and other payables and the current income tax)

P3 - long-term liabilities; (Non-current liabilities)

P 4 - permanent (stable) liabilities. (Equity).

The standard is the following relationship:

$A1 \geq P1$

$A2 \geq P2$

$A3 \geq P3$

$A4 < P4$

Analysis of balance sheet liquidity showed the following relationship of assets and liabilities of the company for 3 years:

2017	2016	2015
$A1 < P1$	$A1 < P1$	$A1 < P1$
$A2 < P2$	$A2 < P2$	$A2 < P2$
$A3 < P3$	$A3 < P3$	$A3 < P3$
$A4 > P4$	$A4 > P4$	$A4 > P4$

This means that the balance is not liquid. The company does not have enough assets to cover its obligations. And the amount of non-current assets exceeds the amount of the company's own capital, which indicates a lack of equity in the company.

Table 28 presents an express analysis of the financial condition of the company.

Table 28 - Express analysis of the financial condition of the company for 2015 - 2017 years, in millions of CHF

Indicators	2015	2016	2017	Deviation of 2016 from 2015	Deviation of 2017 from 2016	Growth rate for 2016	Growth rate for 2017
1	2	3	4	5=3-2	6=4-3	7=3/2*100	7=4/3*100
1. Total of balance	123992,00	131901,00	130380,00	7909,00	-1521,00	106,38	98,85
2. Non-current assets	94558,00	99859,00	98380,00	5301,00	-1479,00	105,61	98,52
3. Share of non-current assets,% (2/1 * 100)	76,26	75,71	75,46	-0,55	-0,25	99,27	99,67
4. Accounts Receivable	12252,00	12411,00	12422,00	159,00	11,00	101,30	100,09
5. Share of receivables,% (4/1 * 100)	9,88	9,41	9,53	-0,47	0,12	95,22	101,26
6. Net profit	9066,00	8531,00	7183,00	-535,00	-1348,00	94,10	84,20
7. Return on assets,% (6/4 * 100)	7,31	6,47	5,51	-0,84	-0,96	88,46	85,18
8.Total equity	62777,00	65981,00	63986,00	3204,00	-1995,00	105,10	96,98
9. Return on equity,% (6/8 * 100)	14,44	12,93	11,23	-1,51	-1,70	89,53	86,82

Source: own processing based on the internal materials of the company

The biggest growth rate is examined in the class of Accounts receivable and Total equity.

The table 29 shows the calculation of liquidity ratios.

Table 29 - Calculation of liquidity ratios of the company for 2015 - 2017, in millions of CHF

Indicators	Recommended values	2017	2016	2015	Deviation of 2017 from 2016	Deviation of 2016 from 2015
1. Cash and equivalents	-	7938,00	7990,00	4884,00	-52,00	3106,00
2. Current assets	-	32190,00	32042,00	29434,00	148,00	2608,00
3. Stocks	-	27775,00	27554,00	26576,00	221,00	978,00
4. Short-term liabilities	-	36054,00	37517,00	33321,00	-1463,00	4196,00

Table continuation

Absolute ratio	0,2 - 0,25	0,22	0,21	0,15	0,01	0,07
Quick ratio	0,8 - 1,0	0,12	0,12	0,09	0,00	0,03
Current ratio	1,5 - 2,5	0,89	0,85	0,88	0,04	-0,03

Source: own processing based on the internal materials of the company

The absolute liquidity ratio shows what proportion of short-term liabilities can be covered by cash and cash equivalents, that is, absolutely liquid assets. This ratio is within the recommended limits. This means that the company has enough cash to repay short-term liabilities.

The quick ratio does not include stocks. This ratio is below normal. This means that the company is not able to quickly repay short-term liabilities with current assets. There is a risk of losing potential investors. Company loans can be given higher baud rates and may increase the amount of collateral.

The current liquidity ratio indicates the company's ability to repay current (short-term) liabilities at the expense of current assets only. The greater the value of the coefficient, the better the solvency of the enterprise. This coefficient is lower than the recommended value. This means that the company has difficulties in making current commitments. Thus, the company should reduce payables and reduce current assets.

The table 30 shows the calculation of return on equity.

Table 30 - Calculation of return on equity of company for 2015 - 2017, in millions of CHF

Indicators	2017	2016	2015	Deviation of 2017 from 2016		Deviation of 2016 from 2015	
				Absolute	Relative,%	Absolute	Relative,%
1	2	3	4	5=2-3	6=5/3*100	7=3-4	8=7/4*100
Net income	7183,00	8531,00	9066,00	-1348,00	-15,80	-535,00	-5,90
Total equity	63986,00	65981,00	62777,00	-1995,00	-3,02	3204,00	5,10
Return on equity	0,11	0,13	0,14	-0,02	-13,18	-0,02	-10,47

Source: own processing based on the internal materials of the company

Return on equity is shows how effectively the capital invested in the business was used, that is, it shows the amount of profit that the company will receive per unit cost of equity. The the return on equity decreased from 2015 to 2017, mainly due to the decrease of net income. This means that the company's own capital is growing, and borrowed capital is declining, and asset turnover is falling.

The table 31 shows the calculation of return on assets.

Table 31 - Calculation of return on assets of company for 2015 - 2017, in millions of CHF

Indicators	2017	2016	2015	Deviation of 2017 from 2016		Deviation of 2016 from 2015	
				Absolute	Relative,%	Absolute	Relative,%
1	2	3	4	5=2-3	6=5/3*100	7=3-4	8=7/4*100
Net income	7183,00	8531,00	9066,00	-1348,00	-15,80	-535,00	-5,90
Total assets	130380,00	131901,00	123992,00	-1521,00	-1,15	7909,00	6,38
Return on assets	0,06	0,06	0,07	-0,01	-14,82	-0,01	-11,54

Source: own processing based on the company's financial statements

Return on assets is a financial ratio that characterizes the return on the use of all assets of the organization. Reflects the profitability obtained by using both own and borrowed capital. The higher the return on assets ratio, the more efficient the enterprise’s operations. The profitability of the company's assets decreases every year. This means that the company's net profit decreases, the average cost of non-current assets and current assets grows, and asset turnover decreases.

The table 32 shows the calculation of return on sales.

Table 32 - Calculation of return on sales of company for 2015 - 2017, in millions of CHF

Indicators	2017	2016	2015	Deviation of 2017 from 2016		Deviation of 2016 from 2015	
				Absolute	Relative,%	Absolute	Relative,%
1	2	3	4	5=2-3	6=5/3*100	7=3-4	8=7/4*100
Net income	7183,00	8531,00	9066,00	-1348,00	-15,80	-535,00	-5,90
Revenue	89791,00	89469,00	88785,00	322,00	0,36	684,00	0,77
Return on sales	0,08	0,10	0,10	-0,02	-16,10	-0,01	-6,62

Source: own processing based on the company's financial statements

Return on sales is an indicator of the financial performance of the organization, showing how much of the company's revenue is profit and shows how much profit the company receives from each ruble of products sold. This indicator is decreasing from year to year. This is due to the fact that the growth of costs outpaced the growth of revenue. This may have been affected by lower prices, an increase in the cost rate, or a change in the structure of the range of sales.

In general, we can conclude that the financial condition of the two compared companies are similar. In both companies, profit margins decline from year to year. Also, both companies have some liquidity problems, but the Russian company has more liquidity problems.

The financial statements have both similarities and differences, which will be discussed in more detail in the next paragraph.

5. RESULTS AND DISCUSSIONS

In the theoretical and practical part of the diploma thesis the Russian accounting system and standards PBU and the international accounting standards IAS/IFRS were characterized and the Financial statements (Balance sheet and Income statement) of two chosen companies were analysed in order to identify the differences and to assess the advantages and disadvantages of these standards for financial reporting.

5.1. The comparison of the Russian and the International Financial Reporting.

The composition of financial statements in IFRS is the same as in RAS. Only the names of some forms are different. In both cases, the full set of financial statements include a balance sheet, an income statement, the notes to the financial statements, statement of changes in equity and a cash-flow statement.

The Russian **balance sheet** corresponds to the statement of financial position, and the statement of financial results corresponds to the statement of comprehensive income.

The statement of changes in equity and the statement of cash flows in IFRS are called the same as in Russian accounting. The statement of financial position in IFRS can be prepared in two ways:

1. With the division into short-term and long-term assets and liabilities, as in RAS;
2. Without such separation, but in order of decreasing or increasing liquidity (if such presentation of information provides reliable and more relevant information).

For example, banks usually choose a presentation method in the order of decreasing liquidity, and production companies - with the division into short-term and long-term assets and liabilities.

In the **statement of comprehensive income**, expenses related to the main activity (operating expenses) can be presented in two ways, at the choice of the organization:

1. Expenses by function (cost of sales, administrative expenses, selling expenses etc.), that is, as in RAS;
2. Expenses by nature (depreciation, services, salaries, expenses for employee benefits, etc.).

The Russian statement of financial results does not contain a section on other comprehensive income, as a result, a number of items in the statement of financial results show the actual operations with capital.

One of the most important reporting statements is a **report on changes in equity**, as it reflects transactions with owners (increase / decrease in capital, payment of dividends, contributions of owners not related to changes in share capital). The total amount shows the capital, which in fact belongs to the shareholders and which they can theoretically withdraw, and can leave as an investment. In RAS, at first glance, this report completely copies the corresponding section of the balance sheet. There, the contributions of the founder or parent company are attributed to other income. The loss from cancellation of own shares in RAS is related to other expenses. This indicates that the interests of owners for the purposes of RAS are not taken into account at all, since these operations are not distinguished from operations in any way.

Cash flow statement. The Russian standard provides only a direct method of compiling a cash flow statement. It provides detailed information on the types of cash receipts from current operating, investment and financial activities. Under IFRS, a company can use one of two methods: a direct method, as in RAS, or an indirect method. The peculiarity of the cash flow statement, compiled indirectly, is that the indicator "Net cash inflow (outflow) from current operating operations" is obtained by calculation. To do this, the net profit (loss) is adjusted for the articles that are taken into account when calculating the profit (loss), but did not result in an inflow (outflow) of money. For example, depreciation is an article that reduces profits, but does not lead to an outflow of money, so when adjusting the profit, this article is added. Obviously, the result (net cash inflow (outflow) from current operations) with the indirect method will be the same as if it were received by the direct method. However, the report compiled indirectly does not contain information on cash flows from operating activities. Making an indirect cash flow statement is easier than direct. For consolidated reporting, this method is practically the only one.

Other differences:

- short-term financial investments in IFRS can be included in cash equivalents, unlike RAS, where they are included in operating activities;

- IFRS is more flexible than RAS, approaches the classification of paid dividends and the amount of payments on income tax in the cash flow statement;

- IFRS are recommended to indicate in the explanatory note to the cash flow statement the amount of cash that is not available for use.

For ease of understanding, a brief comparative analysis is presented in the table 33.

Table 33 - Differences in the structure and features of the formation of reports on Russian and International standards.

	IFRS	RAS
Balance sheet	Assets and liabilities can be reflected in the order of their liquidity, breaking into current and long-term.	Assets and liabilities have a clear gradation, dividing them into current and long-term.
Income statement	Choice of presenting expenses by function or nature. When deciding on the presentation of expenses by function, the notes to the report disclose information on the content. Extraordinary expenses are not provided in the report.	Expenses are classified by function, and in notes by content. Other expenses include extraordinary items, which are explained in the notes.
Cash flow statement	Compiled by direct or indirect method. Along with cash, their equivalents (overdrafts, short-term deposits) are reflected.	It is compiled only by the direct method, detailing information on the types of cash receipts on current, investment and financial activities. Only cash is included.

Source: own processing in accordance by source [8]

The difference between IFRS and RAS is an indisputable fact, but knowledge of the specifics of accounting and financial reporting in different standards will greatly facilitate the work of a financier.

5.2. The main differences between Russian and international accounting and reporting and recommendations for convergence.

Despite the fact that RAS is significantly close to the international standards, there are still differences between them. Therefore, often Russian companies that form financial statements according to Russian standards are forced to keep parallel accounting or to transform finished reporting forms into IFRS.

Principal differences:

Goals

These two set of standards (IAS/IFRS and RAS) differ in the purpose of providing information. In contrast to Russian standards, international ones assume not a formal, but the most realistic consideration of the current situation in a company. The IFRS statements are aimed at identifying the economic nature of the processes taking place in the company. Its main users are financial institutions, founders, investors and other interested parties.

The compilation of reports under RAS has fiscal objectives, and it is intended mainly for the control of organizations by tax and statistical authorities.

The legislative framework of accounting

International standards are developed by a non-governmental non-profit organization - the IASB - initiated by regulators of the securities market, auditing and accounting associations, and large industrial companies. Formally, no state can influence the decisions taken by this organization. The IFRS Council is funded on a voluntary basis by international accounting and auditing firms (for example, the Big Four), large companies, banks and governments of many countries. The main goal of the Council is to develop, in the public interest, a single set of high-quality, understandable and practical world-wide accepted financial reporting standards based on clear principles. The structure of Russian regulatory acts is hierarchical and includes legislative acts; federal standards; industry standards; recommendations; standards of the economic entity. Federal standards are adopted by the Ministry of Finance, and industry standards by the Central Bank of the Russian Federation. This fact speaks about the influence of the state on this sphere. IFRS are not tied to the legal system of a particular country. Russian legislation on accounting is based on the norms of the Civil Code of the Russian Federation (for example, when recognizing revenue on transfer of ownership, performance of work). Reporting under international accounting standards must meet the requirements not only for recognition and evaluation, but also for information disclosure. Modern accounting regulations in Russia also contain a significant amount of information for disclosure, but several times less than in IFRS. There is a document in IFRS - Conceptual Basis of Financial Reporting. It is not part of international standards, but it contains the basis for making decisions regarding certain operations in the absence of a specific standard. There is no such document in the Russian Accounting Standard. The position on accounting and financial statements in the Russian Federation is a brief set of rules for accounting, but not principles. Also, IFRS defines the general concepts “asset” and “liability”, and in RAS each standard describes specific assets, not summarizing their characteristics.

Form and content of financial statements and standards

In Russian practice, more attention is paid to documenting and recording operations. While the basic principle of the international standard is the priority of economic content over the legal form.

Russian companies use a single chart of accounts and standardized reporting forms. There is no single plan in IFRS: companies develop their own chart of accounts, based on the specifics of the work and the detail of accounting information. There are no approved reporting forms, IFRS offer only general recommendations and requirements for reporting and its content.

The term “professional judgment”, which is not used in Russian, strictly regulated accounting, is relevant for IFRS. In IFRS, professional judgment is widely distributed, for example, it is used in determining the useful life of fixed assets, while RAS adheres to the rules for assigning an object to a useful life corresponding to the depreciation group.

Thus, the predominance of the legal form in RAS and the economic content in IFRS, create a significant difference, which leads to a difference in the recognition of assets and liabilities, as well as income and expenses.

The financial statements of Nestle and Kazan bakery No 3 are similar, but there are differences in the structure. Nestle presents the assets starting with the current assets and then non- current assets. In the structure of the sources the current liabilities are presented first then the non-current liabilities then the equity. The Kazan bakery No 3 presents its assets in the order of increasing liquidity: starts with the least liquid assets (long-term fixed assets) and then presents the current assets. The sources of financing the assets (Passive) is presented by the order of ownership: first the own equity, then the non-current liabilities, then the current liabilities. The balance sheet divides the assets into current and non-current in both cases. The Income statement is presenting expenses by function in both cases.

Reporting period

In RAS, there is the term "reporting date". It is always December 31st. The reporting period is set strictly and always coincides with the calendar year - from January 1 to December 31. (p. 13 PBU 4/99 "Accounting statements of the organization"). An exception is provided for newly created organizations. IFRS approach this issue more flexibly. There is no such thing in IFRS. The reporting date is not tied to the calendar year. The company can independently set the reporting period, based on their own preferences. A company may prepare reports for the year ending on any date, change the end date of the reporting period, and report for a period longer or shorter than one year (clause 36 of IAS 1 “Presentation of financial statements”). Both monitored companies used a reporting date of 31.December and the accounting period was a calendar year.

Currency

According to Russian standards, the report is compiled only in rubles. International reporting is prepared in a functional currency. It is the currency of the economic environment in which the company operates. The currency in which the company receives revenue and makes calculations. Transactions in other currencies are carried out with the subsequent conversion to the functional one and the allocation of the difference to other comprehensive income. Accounting currency and reporting currency may be different. If the reporting currency is one and the functional currency is different, then the financial results of the company and the financial position of the company are translated into the reporting currency. All exchange differences arising from the transfer are recognized in other comprehensive income, that is, are attributed to capital. IFRS does not set reporting language requirements, but it is usually in English. In RAS, it is only Russian. Nestle uses CHF as their functional currency for the consolidated financial statements. The Russian company can use only rubles as its mandatory by law.

Consolidation

International standards provide the ability to generate reports for the entire group, including the parent company and subsidiaries. Accordingly, all income, expenses, property and liabilities will be accounted for as a single entity. However, in Russian practice there is no concept of consolidation itself. From here and significant discrepancies in the financial results reflected in the report under IFRS or RAS.

Available-for-sale assets

This category is not allocated under RAS. Investments whose current market value cannot be determined are recorded at cost. Under IFRS, all financial investments are recorded at fair value. Nestle has available-for-sale assets presented in its balance sheet, according to IFRS, named Assets held for sale. The Kazan bakery No 3 is not reporting this item, it is not a separate line according to RAS.

Overestimate of the book value of assets

In a report prepared in accordance with IFRS, the book value of assets should not exceed the funds that a company may receive from the sale or use of such assets. By international standards, long-term assets should be tested for impairment. However, the absence of such a measure in Russia can lead to an overestimation of the book value of assets in the report under RAS.

Intangible assets

In RAS there is no specific definition of an intangible asset. Under IFRS, an intangible asset is an identifiable non-cash flow that does not have a material form. When accounting for intangible assets, RAS focuses on the possibility of bringing them economic benefits in the future and the purpose of the object. In IFRS, the moment of display of an intangible asset is selected taking into account the time of receipt of probable economic benefits, a reliable assessment of the value of such an asset is required.

The tax base

According to RAS, the tax base is the amount of income or expense taxed on income tax. The determination of the tax base under IFRS depends on how management intends to repay the carrying amount of the asset. For example, the value of an asset can be recovered through use or through sale. The collected taxes under IFRS more clearly reflect the real processes that gave rise to them.

Convertible tools

There are no special rules in RAS. Shares, regardless of the type - capital, convertible bonds - an obligation. According to IFRS, a convertible instrument should be divided into 2 components: a liability component and a capital component. The liability component is recognized at fair value. The equity component is measured as residual value and is contributed to equity without the possibility of revaluation.

Cash flow statement

Under RAS standards, only the direct method of compiling a cash flow statement is permitted. IFRS rules allow the preparation of a report both directly and indirectly. The indirect method implies the adjustment of net profit taking into account non-monetary transactions. For example, adding depreciation expenses to net profit, since they do not generate real cash flow. Receivables in this case, on the contrary, will be deducted, since with its increase the money on the account of our company will not increase. Financial analysts are unanimous in the opinion of the convenience of the indirect method, which allows us to more specifically represent the nature of cash flows and prospects for them. The absence of this method in RAS makes it difficult to use such reports for analysis. The company Nestle publishes its cash-flow statement and its prepared by the indirect method. The Kazan bakery No 3 does not publishes its cash-flow statement, it is only for internal users (like the management) and for tax authorities.

Disclosure of quality information

IFRS, unlike RAS, involves the disclosure of high-quality capital management information. This includes the goals and policies of the company, quantitative data on capital management, changes in the above indicators in comparison with the previous period. Nestle present its financial statements publicly so external users can form an opinion about the financial position and performance of the company. Kazan bakery does not publish any of their financial statements and these statements are intented only for internal users and government purposes.

The main differences between the Russian and International accounting standards are presented in the table 34.

Table 34 - Differences in accounting and reporting of operations according to Russian and International Accounting Standards.

	IFRS	RAS
Moment of revenue recognition	Sales revenue is recognized when the buyer transfers the risks and rewards of ownership of the product, regardless of whether the right of ownership is transferred. There are customer loyalty programs in retail. These include activities aimed at the development of repeat sales - discount cards, bonuses, accumulative points, counted as a separate component of the transaction.	Ownership of the goods passes from the company to the buyer upon sale. RAS does not cover customer loyalty programs.
Fixed assets	1. The initial cost of the asset (IAS 1) includes the estimated costs of future dismantling, removal of equipment and restoration of natural resources after dismantling has been completed. Those. in the depreciation of the object initially laid the costs of liquidation. 2. When acquiring an asset (IAS 16) with a deferred payment, the initial cost is formed taking into account the discount, since in fact the tool is purchased cheaper.	There is no such possibility in PBU 6/01, such costs are recognized as expenses when they arise. The acquired OS comes at a nominal value.

Inventories	According to IAS 2, inventories are accounted for at least of the values - cost price or net sales price, which is the sum of the difference between the estimated selling price and all costs associated with production and transportation. The method LCM (lower of costs or market) is applied.	Most often, the materials are accounted for at actual cost.
Future spending	Not recognized as an asset	Reflected in other non-current assets or stocks

Source: own processing based on the source[14]

Understanding the differences between these two systems makes it possible to bring accounting records to IFRS at lower cost, and knowledge of corrective operations makes it possible to predict and quickly adjust the deviations that occur.

Advantages and disadvantages of applying the RAS (PBU) and IAS/IFRS

The advantages and disadvantages of applying particular accounting standards has to be assessed from the point of external and internal users.

The advantage (and at the same time disadvantage) of applying the Russian accounting standards for recording and reporting financial information is in the fact that is based on strict regulations set by the legal framework of accounting in Russia. The Accounting law and the Russian accounting standards specify the ways of recording and reporting and it influences the reported information in the financial statements where the legal form is more important than the economic reality. The advantage of it may be an easier understanding of the reported items and the rules applied if the user of the financial statements is familiar with the Russian accounting regulations. However, the disclosure of information for external users (except for state authorities) is minimal. As it was mentioned above, the compilation of reports under RAS (PBU) is mainly for tax purposes and the priority is to obey the regulatory requirements of tax and statistical authorities. The main disadvantage of reporting under RAS (PUB) is that the prepared financial statements are not accepted by the international markets and stock exchanges.

The main advantage of applying the international accounting standards IAS/IFRS is in the requirements of disclosed information to external users, such as to the potential investors. The financial statements prepared according to IAS/IFRS are aimed at identifying the economic nature of the processes in the company and are not influenced by tax requirements. The main disadvantage of IAS/IFRS is that its application requires extensives use of estimates where subjective opinion of the accountants may be biased. However, financial statements prepared under IAS/IFRS are accepted by the international markets and stock exchanges.

Recommendations for convergence

The following recommendations can be made to bring together Russian and international accounting systems:

1. Fixed assets

It is not required to make changes to accounting policies in order to become closer to IFRS. I recommend keeping separate fixed asset cards under RAS and IFRS. It is possible to eliminate the differences between the amounts subject to depreciation if the residual value of an asset is insignificant. Accounting for impairment losses should be kept in a separate register.

2. Intangible assets

It is not required to make changes to accounting policies in order to become closer to IFRS. Differences are unavoidable. To minimize the cost of transforming statements, we recommend entering an additional level of analytics on account 97 NAME

“Future expenses” for expenses that are not intangible assets under RAS, but should be accounted for as intangible assets under IFRS. If the cost of such expenses is insignificant, I recommend making a one-time write-off for the expenses of the period (both in IFRS and RAS), guided by the principle of prudence

3. Stocks (Inventory)

To minimize the cost of transforming statements, it is possible to reflect information on stocks acquired with a deferred payment, on off-balance accounts, or to organize an additional analyst level on inventory accounts (score 10 "Materials", 20 "Primary production", 41 "Goods", etc. .) I recommend fixing in the accounting policy the method of calculating the incomplete actual cost, that is, attributing the sums from the account 26 “General business expenses” to the financial result. And also to reflect information about the depreciation of inventories to the net selling price on off-balance accounts, or to introduce an additional level of analytical accounting on inventories accounts.

4. Borrowing costs

I recommend to fix in the accounting policy under RAS a similar procedure for allocating the cost of borrowed funds related to an investment asset to the value of an investment asset. And also keep separate accounting of borrowing costs and loans subject to capitalization, for example, organize accounting of deviations on off-balance sheet accounts

5. Reserves

I recommend to provide in the accounting policy under RAS the accrual of reserve by groups (separate objects) of goods and materials. In order to become closer to IFRS, a reserve for doubtful debts should also be established based on an analysis of the likelihood of repayment of arrears. It is possible that the reserve will not be created for all debts overdue by more than 90 days.

6. CONCLUSION

The aim of this diploma thesis was to assess the information reported in the financial statements of two chosen companies, one of which prepares its financial statements in accordance with the russian accounting standards RAS (PBU) and the second in accordance with the international accounting standards IAS/IFRS, to identify the significant differences and to specify the advantages and disadvantages of applying these standards for financial reporting.

Differences and similarities between the Russian and International Accounting Standards were identified in the theoretical and practical part.

The similarities between these standards include the basic assumptions for the financial statements´ preparation, such as the business continuity (going concern) , accrual accounting (temporary certainty of the facts of economic activity) and the requirement of consistency in applied accounting policies for reporting.

The set of required financial statements under RAS and IFRS are also similar:

• statement of financial position (balance sheet);

• statement of profit or loss and other comprehensive income (statement of financial performance);

• statement of changes in equity (statement of changes in equity);

• cash flow statement

• Notes to the financial statements

The main differences in the information presented in the financial statements are caused by the different main users of these information. These two set of standards (IAS/IFRS and RAS) differ in the purpose of providing information. The IFRS statements are aimed at identifying the economic nature of the processes taking place in the company. Its main users are financial institutions, founders, investors and other interested parties. The compilation of reports under RAS has fiscal objectives, and it is intended mainly for the control of organizations by tax and statistical authorities. Recording and reporting under RAS (PBU) is influenced by the national tax requirements while the recording and reporting under IAS/IFRS does not.

The differences also include examples of reporting information about the expenses (under RAS only by function, under IAS/IFRS there is a choice for presenting expenses by nature or function), cash-flow (under RAS only the direct method is allowed, under IAS/IFRS there is a choice between the direct and indirect method), classification of assets held for sale, valuation of non-current receivables and liabilities (considering the time value of money), revaluation of fixed assets using real value (IAS/IFRS allows the choice of chosing either the historical cost valuation or the revaluation assets to real value models, while RAS doesn’t allow the revaluation of fixed assets)

In some cases, the time value of money is taken into account in RAS. Discounting is foreseen - a new instrument for Russian accounting which is borrowed from IFRS, where discounting is widely used. In Russian accounting and reporting, the use of discounting under certain conditions is possible for estimated liabilities, debt securities and loans granted.

Significant differences in the methods applied by companies using IFRS and RAS leads to fundamental differences in reporting useful information. At the same time, it is obvious that IFRS reporting is of great value for investors, since it reflects the real state of affairs and is most convenient for interpretation. Understanding the differences between these two systems makes it possible to bring accounting records to IFRS at lower cost, and knowledge of corrective operations makes it possible to predict and quickly adjust the deviations that occur.

In the period of globalization of the economy and the convergence of national standards with international ones, the Russian accounting and reporting system is going through a period of adaptation and bringing the national accounting system in line with the requirements of a market economy and international financial reporting standards. Already many large Russian companies provide reporting on international standards. This is implemented in two ways: parallel accounting of Russian and international standards, or the transformation of Russian reporting into IFRS reporting.

Given the ongoing process of globalization and accounting harmonization, more convergence between the two accounting systems and standards is expected, with the aim to gain unity and comparability between the reported information in the financial statements.

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9. LIST OF ABBREVIATIONS

IFRS - International Financial Reporting Standards

IAS - International Accounting Standards

RAS - Russian Accounting Standards

GAAP - Generally Accepted Accounting Principles

ROA - Return on assets

ROE - Return on equity

ROS - Return on sales

PBU - Accounting position

FL - Accounting position

JSC - Joint-Stock Company

LLC - Limited liability company

CHF - Swiss frank

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11. APENDIXE

Apendixe 1- Current international standards

IAS 1	"Presentation of financial statements"
IAS 2	"Inventories"
IAS 7	"Cash Flow Statements"
IAS 8	“Accounting Policies, Changes in Accounting Estimates and Errors”
IAS 10	“Events after the end of the reporting period”
IAS 12	"Income taxes"
IAS 7	"Segment Reporting"
IAS 16	" Fixed Assets " (IAS 16 " Property, Plant and Equipment")
IAS 19	"Employee Benefits"
IAS 20	"Accounting for government subsidies and disclosure of information on government assistance"
IAS 21	"The impact of changes in exchange rates to currencies"
IAS 23	"Borrowing Costs"
IAS 24	"Related Party Disclosures"
IAS 26	"Accounting and reporting on pension plans"
IAS 27	" Consolidated and Separate Financial Statements"
IAS 28	"Investments in associates"
IAS 29	“Financial reporting in the hyperinflationary economy”
IAS 31	"Participation in joint ventures"
IAS 32	"Financial Instruments: Presentation of Information"
IAS 33	"Earnings per Share"
IAS 34	"Interim Financial Reporting"
IAS 36	"Impairment of Assets"
IAS 37	“Provisions, contingent liabilities and contingent assets”
IAS 38	"Intangible Assets"
IAS 39	"Financial Instruments: Recognition and Measurement"
IAS 40	"Investment Property"
IAS 41	"Agriculture"
IFRS 1	“First application of international standards”
IFRS 2	"Share-based Payment"
IFRS 3	"Business Combinations"
IFRS 4	"Insurance Contracts" (valid until January 1, 2021)
IFRS 5	“Long-term assets held for sale and discontinued operations”
IFRS 6	"Exploration and evaluation of mineral reserves"
IFRS 7	" Financial Instruments: Disclosures"
IFRS 8	"Operating Segments"
IFRS 9	"Financial Instruments"

Table continuation

IFRS 10	“Consolidated Financial Statements”
IFRS 11	"Joint Activity"
IFRS 12	"Disclosure of information on participation in other enterprises"
IFRS 13	“ Fair Value Measurement”
IFRS 14	" Regulatory Deferral Accounts "
IFRS 15	"Revenue from Contracts with Customers"
IFRS 16	"Rent" (entered into force on January 1, 2019)
IFRS 17	"Insurance Contracts" (will enter into force on January 1, 2021)

Source: own processing based on Deloitte website

Apendixe 2 - Overview of the company's receivables in 2017, in thousand rubles.

Name	Amount
Receivables to employees - Staff calculations (accounts 70,71,73)	1
Overpayments for taxes and fees (accounts 68, 69)	29
Other counterparties	
LLC TD GOLD "NIVA-PLUS"	560
Chak-Chak-Plus LLC	125
LLC "AGROTORG"	34 960,00
LLC "LENTA"	4 290,00
OPTOVIK LLC	19 228,00
TANDER JSC	5 408,00
CJSC “TRADING HOUSE“ PEREKRESTOK ”	3 255,00
LLC INTREYDPROM	72 054,00
CJSC "TC" Edelweiss "	6 389,00
LLC "UNION ST. JOHN VOINAA "	4 507,00
JSC "ICC" AUDIT "	2 935,00
AUCHAN LLC	9 792,00
METRO CASH AND KERRY LLC	1 913,00
ALTERA LLC	1 253,00
Gabdullazyanov Ramil Fargatovich	1 639,00
LLC TD DUSLYK	1 275,00
Shafikov Rifkat Ziyatdinovich	1 547,00
LLC "ZELGROS"	1 234,00
LLC "ATAK"	4 516,00
LLC "TPK" AGRO-TRADE "	300 000,00
ALFA SAKHALIN LLC	1 710,00
LLC "FLEXO LINE"	1 269,00
LLC ASTRA TORG	1 129,00
JSC "Holding Company AK BARS"	138
AK BARS REGION LLC	8 167,00
OJSC "AZYK"	5 037,00
KAZANZERNOPRODUKT	98 852,00
BC "Timerkhan"	68
TOTAL	632 248,00

Source: materials of the company

Apendixe 3 - Overview of the company's payables by counterparty, in thousand rubles

Name of the creditor	Amount, thousand rubles
Staff calculations (accounts 70,71,73)	66 579,00
Payments for taxes and fees (accounts 68, 69),	55 266,00
Other counterparties	37 476,00
LLC "Trading house" GOLDEN NIVA-PLUS "	625
Chak-Chak-Plus LLC	4 586,00
OPTOVIK LLC	1 234,00
LLC "GELIADA"	14 873,00
LLC "PRODUCT CENTER"	1 084,00
Alkair LLC	6 675,00
AUCHAN LLC	967
Sharafutdinova Farida Irekovna	3 091,00
PROFLEX 12 LLC	17 832,00
Sidorkin Andrei Aleksandrovich	10 583,00
OOO FAM	2 234,00
LLC TD GOLD KAZAN	3 560,00
TAME LLC	2 090,00
PRODLOGISTIKA LLC	1 408,00
UNION OF BREAD RT	3 509,00
Salikhov Niyaz Nursagitovich	2 110,00
TC Blaster LLC	4 945,00
LLC "Lanta"	2 334,00
LLC AGROFIRMA "TOP USLON" "	2 190,00
LLC “TRIER - KAZAN”	1 137,00
TALANID LLC	960
LLC "KPS"	1 259,00
LLC "YUTUBI-KAZAN"	1 119,00
LLC "TPK" AGRO-TRADE "	6 288,00
LLC GOFROTARA	7 577,00
TK TRIO LLC	3 734,00
LLC "ART-SPECTRUM +"	937
LLC “GLAVMERCH”	816
LLC AGROFIRMA "SEMIRECHIE"	5
AK BARS REGION LLC	20 264,00
LLC CHOO GRANIT	4
OOO CHOO “TIMERHAN 2”	402
JSC "ZMK"	620

Table continuation

KAZANZERNOPRODUKT	663
LLC "MTK" AK BARS "	5
LLC "POULTRY COMPLEX" AK BARS "	3 314,00
TOTAL Balance (line 1520):	294 355,00

Source: materials of the company

Apendixe 4 - Balance sheet of JSC “Kazan bakery №3” 2017 in English

Name of the indicator	Code	On 31th of December 2017	On 31th of December 2016	On 31th of December 2015
ASSETS				
I. FIXED ASSETS				
Intangible assets	1110	14	17	21
including:				
Acquisition of intangible assets	11102	14	17	21
Fixed assets	1150	221588	222619	224229
including:				
Fixed assets in the organization	11501	220971	220792	217742
Installation equipment	11502	-	160	-
Construction of fixed assets	11505	436	1667	6487
Acquisition of fixed assets	11506	181	-	-
Financial investments	1170	78	50078	50205
including:				
Share in charter capital	11701	78	78	205
granted loans	11702	-	50000	50000
Total section I	1100	221680	272714	274455
II. CURRENT ASSETS				
Stocks	1210	80181	77637	72745
including:				
Materials	12101	72806	70150	65736
Goods shipped	12103	-	-	233
Products	12104	5112	5594	5153
Finished products	12105	2263	1893	1623
Value Added Tax on Acquired Values	1220	-	-	234
VAT on services	12204	-	-	234
Receivables	1230	632248	230673	121795
including:				
Settlements with suppliers and contractors	12301	423942	110425	10928
Settlements with buyers and customers	12302	135334	98290	89663
Payments for taxes and fees	12303	29	29	5033
Calculations on social insurance and security	12304	-	-	137
Calculations with accountable persons	12305	1	-	-
Settlements with different debtors and creditors	12308	72585	21311	15741
upcoming expenses reserves	12310	357	618	293

Table continuation

Financial investments (excluding cash equivalents)	1240	300000	349620	300000
including:				
Granted loans	12403	300000	-	-
Deposit accounts	12406	-	349620	300000
Deposit accounts (in currency)	12407	-	-	-
Cash and cash equivalents	1250	11155	16355	9268
including:				
Cash desk organization	12501	99	63	58
Current accounts	12504	8064	13677	6798
Transfers in transit	12511	2992	2615	2412
Other current assets	1260	1452	1249	1687
including:				
VAT on advances and overpayments	12604	-	-	691
Future spending	12605	1402	1204	951
Shortages and losses from damage of values	12606	50	45	45
Total section II	1200	1025036	675534	505729
BALANCE	1600	1246716	948248	780184
EQUITY AND LIABILITIES				
III. Equity				
Authorized capital (share capital, authorized capital, contributions of partners)	1310	1129	1129	1129
including:				
charter capital	13101	1129	1129	1129
including:				
Revaluation of non-current assets	1340	11002	11002	11002
including:				
Fixed assets	13401	11002	11002	11002
Reserve capital	1360	169	169	169
including:				
Reserves established in accordance with the law	13601	169	169	169
Retained earnings (uncovered loss)	1370	191612	187285	182886
including:				
profit of the reporting period	13701	4327	4399	10622
Total section III	1300	203912	199585	195186
IV. LONG TERM DUTIES				
Borrowed funds	1410	0	15914	38519
including:				
Long-term loans	14101	-	15914	38519
Total section IV	1400	-	15914	38519

Table continuation

V. SHORT-TERM LIABILITIES				
Borrowed funds	1510	717788	478308	325265
including:				
Short term loans	15101	714613	475187	324648
Interest on short-term loans	15103	3148	2978	411
Interest on long-term loans	15104	27	143	206
Accounts payable	1520	294355	225692	200423
including:				
Settlements with suppliers and contractors	15201	140926	101055	97555
Settlements with buyers and customers	15202	29696	4452	7039
Payments for taxes and fees	15203	42008	35210	23851
Calculations on social insurance and security	15204	13258	19633	10076
Payroll staff calculations	15205	66576	63697	60258
Calculations with accountable persons	15206	3	-	-
Debt to participants (founders) for income payment	15207	495	495	495
Settlements with different debtors and creditors	15208	1393	1150	1149
revenue of the future periods	1530	4616	3249	423
including:				
Special-purpose financing	15301	4616	2959	-
Revenues received for future periods	15302	-	290	423
Estimated liabilities	1540	26045	25499	20375
including:				
Reserves for vacation and bonuses	15401	26045	25499	20375
Total section V	1500	1042804	732748	546486
BALANCE	1700	1246716	948247	780191

Resource: own translation based on company financial statements

Apendixe 5 - Balance sheet of JSC “Kazan bakery №3” 2017 in Russian

Показатели	2017	2016	2014
АКТИВ			
I. ВНЕОБОРОТНЫЕ АКТИВЫ			
Нематериальные активы	14	17	21
Основные средства	221588	222619	224229
Финансовые вложения	78	50078	50205
Итого по разделу I	221680	272714	274455
II. ОБОРОТНЫЕ АКТИВЫ			
Запасы	80181	77637	72745
Налог на добавленную стоимость по приобретенным ценностям			234
Дебиторская задолженность	632248	230673	121759
Финансовые вложения (за исключением денежных эквивалентов)	300000	349620	300000
Денежные средства и денежные эквиваленты	11155	16355	9268
Прочие оборотные активы	1452	1249	1687
Итого по разделу II	1025036	675534	505693
БАЛАНС	1246716	948248	780148
ПАССИВ			
III. КАПИТАЛ И РЕЗЕРВЫ			
Уставный капитал (складочный капитал, уставный фонд, вклады товарищей)	1129	1129	1129
Собственные акции, выкупленные у акционеров			-7
Переоценка внеоборотных активов	11002	11002	11002
Резервный капитал	169	169	169
Нераспределенная прибыль (непокрытый убыток)	191612	187285	182886
Итого по разделу III	203912	199585	195179
IV. ДОЛГОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА			
Заемные средства		15914	38519
Итого по разделу IV		15915	38520
V. КРАТКОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА			
Заемные средства	717788	478308	325265
Кредиторская задолженность	294355	225693	200423
Доходы будущих периодов	4616	3249	423
Оценочные обязательства	26045	25499	20375
Итого по разделу V	1042804	732749	546486
БАЛАНС	1246716	948249	780185

Source: materials of the company

Apendixe 6 - Income statement of JSC “Kazan bakery №3” 2017

Name of the indicator	Code	on December 31, 2017	on December 31, 2016	on December 31, 2015
Revenue	2110	1820415	1683747	1483187
including: on activities with the main tax system	21101	1820415	1683747	1483187
Cost of sales	2120	(1225765)	(1100942)	(1001628)
including: on activities with the main tax system	21201	(1225765)	(1100942)	(1001628)
Gross profit (loss)	2100	594650	582805	481559
including: on activities with the main tax system	21001	594650	582805	481559
Selling expenses	2210	(368297)	(401610)	(322328)
including: on activities with the main tax system	22101	(368297)	(401610)	(322328)
Profit (loss) from sales	2200	226353	181195	159231
including: on activities with the main tax system	22001	226353	181195	159231
Interest receivable	2320	32814	37562	23450
including: Interest receivable	23201	32814	37562	23450
Percentage to be paid	2330	(46478)	(46740)	(23490)
including: Percentage to be paid	23301	(46478)	(46740)	(23490)
Other income	2340	50171	245644	36198
including: Incomes related to the sale of fixed assets	23401	25	3846	-
Incomes related to the sale of other property	23403	30794	207594	24527
Revenues from assets transferred for use	23406	5387	5677	5421
Revenues in the form of recovery of reserves	23407	-	18460	4031
Other operating income	23408	6674	9298	1776
Fines, penalties, forfeit receivables	23409	6307	10	355
Past profit	23410	443	29	9
Reimbursement of losses receivable	23411	264	117	-
Exchange differences	23412	-	21	-
Revenues in the form of written off payables	23413	277	592	79

Other expenses	2350	(230872)	(374121)	(165257)
including:				
Costs associated with the implementation of fixed assets	23503	-	(236)	-
Expenses related to the sale of other property	23505	(127218)	(284362)	(77764)
The costs associated with the delivery of property for rent (sublease)	23508	(1797)	(1994)	(2113)
Deduction in estimated reserves	23509	(1760)	(12)	(128)
Expenses for banking services	23510	(2593)	(1580)	(1314)
Other operating expenses	23511	(92992)	(82464)	(82012)
Fines, penalties, forfeit receivables	23512	(715)	(81)	(304)
Loss of past years	23513	(2496)	(3384)	(1548)
Exchange differences	23514	-	5	-
Write off receivables	23515	(1301)	3	(74)
Profit (loss) before tax	2300	31988	43540	29628
including:				
on activities with the main tax system	23001	31988	43540	29628
Current income tax	2410	(24188)	(23825)	(16093)
Other	2460	(3473)	(15316)	31
Penalties and penalties for violation of tax and other laws	24602	(140)	(8430)	(19)
income tax of previous years	24603	(3333)	(6886)	50
Income tax last year	2400	4327	4399	13620

Resource: own translation based on company financial statements

Apendixe 7 - Balance sheet of "Nestle" 2017

Consolidated balance sheet as at 31 December 2017

before appropriations

In millions of CHF

	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents	12/16	7 938	7 990
Short-term investments	12	655	1 306
Inventories	6	9 061	8 401
Trade and other receivables	7/12	12 422	12 411
Prepayments and accrued income		607	573
Derivative assets	12	231	550
Current income tax assets		919	786
Assets held for sale	2	357	25
Total current assets		**32 190**	**32 042**
Non-current assets			
Property, plant and equipment	8	27 775	27 554
Goodwill	9	29 748	33 007
Intangible assets	9	20 615	20 397
Investments in associates and joint ventures	14	11 628	10 709
Financial assets	12	6 003	5 719
Employee benefits assets	10	392	310
Current income tax assets		62	114
Deferred tax assets	13	1 967	2 049
Total non-current assets		**98 190**	**99 859**
Total assets		**130 380**	**131 901**

In millions of CHF

	Notes	2017	2016
Liabilities and equity			
Current liabilities			
Financial debt	12	10 536	12 118
Trade and other payables	7/12	18 872	18 629
Accruals and deferred income		4 094	3 855
Provisions	11	863	620
Derivative liabilities	12	507	1 068
Current income tax liabilities		1 170	1 221
Liabilities directly associated with assets held for sale	2	12	6
Total current liabilities		**36 054**	**37 517**
Non-current liabilities			
Financial debt	12	15 932	11 091
Employee benefits liabilities	10	7 111	8 420
Provisions	11	2 445	2 640
Deferred tax liabilities	13	3 559	3 865
Other payables	12	2 502	2 387
Total non-current liabilities		**31 549**	**28 403**
Total liabilities		**67 603**	**65 920**
Equity	17		
Share capital		311	311
Treasury shares		(4 537)	(990)
Translation reserve		(19 433)	(18 799)
Other reserves		989	1 198
Retained earnings		84 174	82 870
Total equity attributable to shareholders of the parent		**61 504**	**64 590**
Non-controlling interests		1 273	1 391
Total equity		**62 777**	**65 981**
Total liabilities and equity		**130 380**	**131 901**

Source: financial statement of the company

Apendixe 8 - Income statement of "Nestle" 2017

Consolidated income statement for the year ended 31 December 2017

In millions of CHF

	Notes	2017	2016
Sales	3	**89 791**	**89 469**
Other revenue		330	317
Cost of goods sold		(44 923)	(44 199)
Distribution expenses		(8 205)	(8 059)
Marketing and administration expenses		(20 540)	(21 485)
Research and development costs		(1 724)	(1 736)
Other trading income	4	111	99
Other trading expenses	4	(1 607)	(713)
Trading operating profit	3	**13 233**	**13 693**
Other operating income	4	379	354
Other operating expenses	4	(3 500)	(884)
Operating profit		**10 112**	**13 163**
Financial income	5	152	121
Financial expense	5	(771)	(758)
Profit before taxes, associates and joint ventures		**9 493**	**12 526**
Taxes	13	(2 779)	(4 413)
Income from associates and joint ventures	14	824	770
Profit for the year		**7 538**	**8 883**
of which attributable to non-controlling interests		355	352
of which attributable to shareholders of the parent (Net profit)		7 183	8 531
As percentages of sales			
Trading operating profit		14.7%	15.3%
Profit for the year attributable to shareholders of the parent (Net profit)		8.0%	9.5%
Earnings per share (in CHF)			
Basic earnings per share	15	2.32	2.76
Diluted earnings per share	15	2.32	2.75

Source: financial statement of the company

Apendixe 9 - Balance sheet of “Nestle” 2016

Consolidated balance sheet as at 31 December 2016

before appropriations

In millions of CHF

	Notes	2016	2015
Assets			
Current assets			
Cash and cash equivalents	12/16	7 990	4 884
Short-term investments	12	1 306	921
Inventories	6	8 401	8 153
Trade and other receivables	7/12	12 411	12 252
Prepayments and accrued income		573	583
Derivative assets	12	550	337
Current income tax assets		786	874
Assets held for sale	2	25	1 430
Total current assets		**32 042**	**29 434**
Non-current assets			
Property, plant and equipment	8	27 554	26 576
Goodwill	9	33 007	32 772
Intangible assets	9	20 397	19 236
Investments in associates and joint ventures	14	10 709	8 675
Financial assets	12	5 719	5 419
Employee benefits assets	10	310	109
Current income tax assets		114	128
Deferred tax assets	13	2 049	1 643
Total non-current assets		**99 859**	**94 558**
Total assets		**131 901**	**123 992**

In millions of CHF

	Notes	2016	2015
Liabilities and equity			
Current liabilities			
Financial debt	12	12 118	9 629
Trade and other payables	12	18 629	17 038
Accruals and deferred income		3 855	3 673
Provisions	11	620	564
Derivative liabilities	12	1 068	1 021
Current income tax liabilities		1 221	1 124
Liabilities directly associated with assets held for sale	2	6	272
Total current liabilities		**37 517**	**33 321**
Non-current liabilities			
Financial debt	12	11 091	11 601
Employee benefits liabilities	10	8 420	7 691
Provisions	11	2 640	2 601
Deferred tax liabilities	13	3 865	3 063
Other payables	12	2 387	1 729
Total non-current liabilities		**28 403**	**26 685**
Total liabilities		**65 920**	**60 006**
Equity	17		
Share capital		311	319
Treasury shares		(990)	(7 489)
Translation reserve		(18 799)	(19 851)
Other reserves		1 198	1 345
Retained earnings		82 870	88 014
Total equity attributable to shareholders of the parent		**64 590**	**62 338**
Non-controlling interests		1 391	1 648
Total equity		**65 981**	**63 986**
Total liabilities and equity		**131 901**	**123 992**

Source: financial statement of the company

Apendixe 10 - Income statement of “Nestle” 2016

Consolidated income statement for the year ended 31 December 2016

In millions of CHF

	Notes	2016	2015
Sales	3	**89 469**	**88 785**
Other revenue		317	298
Cost of goods sold		(44 199)	(44 730)
Distribution expenses		(8 059)	(7 899)
Marketing and administration expenses		(21 485)	(20 744)
Research and development costs		(1 736)	(1 678)
Other trading income	4	99	78
Other trading expenses	4	(713)	(728)
Trading operating profit	3	**13 693**	**13 382**
Other operating income	4	354	126
Other operating expenses	4	(884)	(1 100)
Operating profit		**13 163**	**12 408**
Financial income	5	121	101
Financial expense	5	(758)	(725)
Profit before taxes, associates and joint ventures		**12 526**	**11 784**
Taxes	13	(4 413)	(3 305)
Income from associates and joint ventures	14	770	988
Profit for the year		**8 883**	**9 467**
of which attributable to non-controlling interests		352	401
of which attributable to shareholders of the parent (Net profit)		8 531	9 066
As percentages of sales			
Trading operating profit		15.3%	15.1%
Profit for the year attributable to shareholders of the parent (Net profit)		9.5%	10.2%
Earnings per share (in CHF)			
Basic earnings per share	15	2.76	2.90
Diluted earnings per share	15	2.75	2.89

Source: financial statement of the company