International Journal of Management
Volume 11, Issue 06, June 2020, pp. 820-827. Article ID: IJM_11_06_070
Available online at http://www.iaeme.com/ijm/issues.asp?JType=IJM&VType=11&IType=6
Journal Impact Factor (2020): 10.1471 (Calculated by GISI) www.jifactor.com
ISSN Print: 0976-6502 and ISSN Online: 0976-6510
DOI: 10.34218/IJM.11.6.2020.070

METHODOLOGICAL FEATURES OF USING INTERNATIONAL STANDARDS IN ACCOUNTING AND AUDIT TRAINING

Nataliia Novak
Department of Accounting and Taxation,
Kherson State Agrarian University, Kherson, Ukraine

Olena Krukovska
Department of Accounting and Taxation,
Kherson State Agrarian University, Kherson, Ukraine

Svitlana Skrypnyk
Department of Accounting and Taxation,
Kherson State Agrarian University, Kherson, Ukraine

Inesa Shepel
Department of Accounting and Taxation,
Kherson State Agrarian University, Kherson, Ukraine

Svitlana Koval
Department of Accounting and Taxation,
Kherson State Agrarian University, Kherson, Ukraine

ABSTRACT

The globalization of economic relations has led to the unification of accounting rules around the world. The process of harmonization of accounting systems required the development and implementation of international financial reporting standards (IFRS). In order for companies to compete with foreign firms in attracting foreign resources, a new system of accounting and reporting regulations is needed. Reforming accounting statements in accordance with the requirements of international standards becomes an undeniable task.

Keywords: Methodological features, International standards. Accounting, Audit, Training.

Cite this Article: Nataliia Novak, Olena Krukovska, Svitlana Skrypnyk, Inesa Shepel and Svitlana Koval, Methodological Features of Using International Standards in Accounting and Audit Training, *International Journal of Management*, 11 (6), 2020, pp. 820-827.

http://www.iaeme.com/IJM/issues.asp?JType=IJM&VType=11&IType=6

1. INTRODUCTION

In 1973, on the initiative of the English auditor H. Benson (Henry Benson), the Committee on international accounting standards was established on 29.06.73 to ensure the harmonization of financial statements (International Accounting Standard Committee - IASC) by agreement between professional organizations of accountants in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, Ireland, and the United Kingdom. The Board manages the Committee's activities together with the permanent Secretariat. The headquarters of the IASB is located in London.

In 1989, the international standards Committee adopted the Conceptual framework for the preparation and presentation of financial statements, which can be considered the beginning of the formation of the IFRS system as a system of standards based on common concepts or principles. In the same year the Committee publishes Draft E32 "Comparability of financial statements" (E32 Comparability of Financial Statements), which aims to reduce the number of possible alternative accounting interpretations allowed by the standards in force at the time. According to the Committee, this Project should "facilitate the comparability of financial statements between different countries, reduce the number of adjustments when translating the financial statements of one country into the financial statements of another, and improve the return on international portfolio investments as a result of more effective analysis of financial statements" [11].

In 1997, the IASC established a Standing Committee on interpretations (SIC – Standing Interpretations Committee) to Supplement and clarify individual IAS clauses. The main standards were finalized in 1998. The growing importance of the Committee's work is illustrated by the fact that in the 1990s a number of developing countries adopted standards as national standards (for example, Cyprus, Malaysia, Singapore) [2]. During the same period, some European companies voluntarily begin to apply international standards for the preparation of consolidated statements, which is associated with facilitating the attraction of "international" money. Thus, this period is the beginning of the development of IFRS as a system based on a Conceptual framework, which is characterized by a structural unity of the form of presentation of requirements and is applied in practice.

A special Committee – the Regulatory Committee-is being set up in the EU to provide legal support for the implementation of international standards

Accounting Regulatory Committee (ARC) and Advisory group – European Financial Reporting Advisory group (European

Financial reporting Advisory Group-EFRAG). Therefore, since 2005, IFRS have been mandatory (at the level of legislation) for the preparation of consolidated financial statements by European listed companies [3]. In this regard, the international standards Committee has done a lot of work to review the requirements of existing standards, which is aimed at reducing the number of acceptable alternatives (improvements Project, which resulted in the revision of 15 IAS).

In addition, the Committee is working hard on the convergence of international and, first of all, American standards, which should ensure the development of common global standards. This issue will be discussed in more detail in the second section of the dissertation research.

2. MATERIALS AND METHODS

We believe that a comparison of the above wording reveals fundamental changes in the declared objectives of the IASB. The goal of the Council after 2000 is to develop" global " international standards that are binding." In our view, the wording of the objectives of the IASB after 2000 also clearly States the focus of IFRS on providing comparison of information, since this wording, in contrast to the previous one, specifies that such comparability is necessary in order "for stock market participants and other users to make informed economic decisions.

A comparison of the objectives of the IASB before and after the adoption of the new Charter allows us to conclude that, in contrast to the previous guidelines, the activities of the IASB in the future are aimed at ensuring control over the mandatory application of IFRS (table. 1). It is also obvious that in order to achieve its goals, the IASB is changing its business strategy: from the work announced in 2000 to improve and harmonize accounting standards to ensure maximum convergence of national accounting standards to international financial reporting standards [7]. At the same time, convergence refers to the mutual desire of the IASB and organizations involved in the development of national accounting systems to bring national and international standards closer together.

Table 1 Comparison of the objectives of the IASB before and after 2000 [6]

Formulation of the objectives of the IASB until 2000 [1]	Formulation of the objectives of the IASB after 2000 [1]
Develop and publish, in the public interest, international financial reporting standards that must be followed when generating financial statements	Develop, in the public interest, a unified system of high-quality, understandable and binding global accounting standards that require high-quality, transparent and comparable information to be disclosed in financial statements and other financial documents so that stock market participants and other users can make informed economic decisions
Promoting universal acceptance and compliance with these standards	Dissemination and enforcement of these standards
Work to improve and harmonize rules, accounting standards, and procedures related to the presentation of financial statements	Ensuring maximum convergence of national accounting standards to international financial reporting standards based on the most optimal solution of issues

The creation of the IASB was primarily due to the need for convergence of the US accounting Principles (GAAP – Generally Accepted Accounting Principles) with International accounting standards (IAS). The international financial reporting standards (IFRS) issued by the Council embody this convergence. And the very focus on convergence will continue in the future, sooner or later all IAS will be replaced by IFRS.

However, since the council itself has significantly updated a lot of IAS, and taking into account the same convergence, we should wait for a total replacement sooner rather than earlier. Therefore, today both IAS and IFRS and their Interpretations are a single set of documents regulating accounting and reporting under international rules [9].

In addition to standards, the international financial reporting interpretation Committee (IFRIC) issues interpretation principles (previously known as the standards interpretation Committee). IFRIC addresses both recently discovered financial reporting issues that are not specifically addressed in IFRS, and issues where unsatisfactory or conflicting interpretations have emerged. Interpretations issued by IFRIC are called IFRIC 1, IFRIC 2, etc., and those issued by SIC are called SIC1, SIC2, etc.

This organization has set itself the tasks that it outlined in the Charter: "to Develop in the public interest a single set of high-quality, understandable and practical accounting standards that provide for the formation of high-quality, transparent and comparable information in financial statements in order to help participants in the world capital markets and other users of information in making economic decisions" [4]. Thus, the presented stages of the history of the development of the IASB allow us to demonstrate the growing role of IFRS in the world and the need to understand what these documents are.

In 2002, the European Commission adopted an EU Directive that all companies whose shares are listed on stock exchanges are required to prepare consolidated financial statements in accordance with IFRS (IAS/ IFRS) starting in 2005. The same rule is adopted in the United States and in other countries where professional accounting organizations that are members of the International Federation of accountants are active (IFAC – International Federation of Accountants) [10].

In 2003, for the first time since the reorganization, the IASB published a new International financial reporting standard (IFRS) 1 "First - time Adoption of International financial reporting standards" (International Financial Reporting Standards). This is the first standard issued in the new format. It consists of three parts: the standard itself, the basis for decision-making (Basis for Conclusion), and the application guide (Implementation Guidance).

On March 29, 2018, the International accounting standards Board released the revised financial reporting Framework, which contains fundamental financial reporting concepts that guide the IASB in developing standards. This provides a conceptual sequence of accounting for similar transactions, and also serves as a source of useful information for investors and other categories of users.

IFRS are not dogma, normative documents that regulate specific methods of accounting and reporting standards. They are only recommendations, that is, they are not mandatory for adoption. Based on them, national accounting systems can develop national standards with more detailed regulation of accounting for certain objects [12].

The system for implementing IFRS in the EU has a two-level structure. At the technical level, the European financial reporting Advisory group (EFRAC) has been established to advise the EU and the accounting standards regulatory Committee, which includes representatives from EU countries. In addition, the EU has agreed to the formation of a SARC Group, which will consist of representatives of state institutions and assess the EFRAC recommendations for their objectivity and balance. In addition, the infrastructure for implementing IFRS also includes the Committee of European securities regulators - CESR, which works closely with the EU.

Since 2018, there is a process of full transition of enterprises to international accounting and financial reporting standards, which include: The Conceptual framework of financial reporting, 17 International financial reporting standards, 28 International accounting standards, IFRS for small and medium-sized enterprises, Interpretations (explanations).

Based on the current situation of active dissemination of IFRS in the world, in 2013 the IASB launched a project to study the application of standards in different countries, in order to move to a certain extent from the stage of developing standards to the stage of supporting their implementation, which also corresponds to one of the main directions of its activities. As part of this initiative, the Council monitors the implementation of IFRS in each jurisdiction based on information from various sources, as well as data from a special survey that involves national regulators and representatives of the accounting profession.

To assess progress towards achieving the goal of global accounting standards, The IASF develops profiles of the application of IFRS standards in individual jurisdictions. As of August 10, 2017, the application of standards is mandatory for use by public organizations or permitted in one way or another in 150 countries [5].

As of April 2018, the IASB has questionnaires for 166 jurisdictions, including all G20 jurisdictions [5]. 166 jurisdictions represent all parts of the world (table.2):

Table 2 Application of IFRS in the world [6]

Regions	Number of jurisdictions	%
Europe	44	27%
Africa	38	23%
Middle Asia	13	8%
Asia and Oceania	34	20%
North and South America	37	22%
Total	166	100%

Almost all jurisdictions (156 out of 166) have committed to maintaining a single set of high-quality global accounting standards. 144 jurisdictions (87% of profiles) require IFRS standards for all or most national publicly accountable companies (listed companies and financial institutions) in their capital markets. All but one have already started using IFRS Standards. Bhutan will start using IFRS Standards in 2021. Seven jurisdictions use national or regional standards: Bolivia, China, Egypt, India, OMAR Macao, USA, Vietnam. In other jurisdictions, standards allow, but do not require (Honduras, Japan, Nicaragua, Panama, Switzerland, etc.), which standards are in the process of being fully adopted (Thailand) or converged (Indonesia).

Table 3. Accounting structure for jurisdictions that require or allow the use of the IFRS standard for SMEs [8]

Requirements for the application	Number of jurisdictions
SMEs that are not required to use the full IFRS standards are required to use the IFRS standard for SMEs	4
SMEs can choose the IFRS standard for SMEs or the full IFRS standards	52
SMEs can choose the IFRS standard for SMEs, full IFRS standards, or other PBUs for SMEs	21
SMEs can choose the IFRS standard for SMEs or local standards for SMEs	2
Total IFRS for SMEs a Standard is needed or allowed	86

Assessing the results of the international community's activities in developing and distributing IFRS, we cannot ignore the question of whether the statements declared by its authors, which are compiled according to IFRS, actually meet international standards. Of course, in this regard, the results of a survey of the heads of the largest investment funds in Belgium, Great Britain, Germany, Italy, the Netherlands, Norway and Portugal, conducted by the audit company Pricewater house Coopers, are interesting. According to these results, only 76% of respondents rated the information contained in the IFRS statements of organizations that are objects of their investments as transparent. For 16% of respondents, such reporting was not very transparent, for 3% - not at all transparent, and 5% of respondents were undecided [13].

We believe that these results can be evaluated in two ways. They may indicate that not all organizations that report under IFRS make sufficient use of the capabilities of international standards to generate high-quality reporting information. It is also possible that the IFRS themselves do not in all aspects contain regulations that allow any organization to generate such information. We believe, however, that these facts do not detract from the importance of developing international standards, but indicate the need for their further improvement (which is carried out by the IASB), as well as increasing the level of ownership of IFRS regulations by those who prepare financial statements for them.

Based on the analysis of the activities of national, regional (groups of countries) and international organizations aimed at harmonizing financial reporting, we will formulate conclusions that characterize the results of this activity at the present stage. We believe that it is necessary to recognize certain achievements in solving the problems of harmonization of financial reporting at the global level, which are expressed in the following:

- under the influence of regional requirements (for groups of countries), the regulations of national standards of the countries belonging to the respective regions have been reformed and significantly brought closer to each other;
- due to international standardization to a certain extent (national accounting standards have been adapted to the requirements of IFRS;
- under the influence of IFRS, some regional reporting regulations have been changed and brought closer together;
- there is an increase in the number of corporations-transnational, leasing, as well as a number of large non-listed organizations that generate financial statements based on common international standards;
- as a result of the launched convergence process, international financial reporting standards have been approximated to a certain extent and generally accepted accounting principles (US GAAP) are fairly widespread.
- However, it should be noted that despite these positive results, there are also facts that indicate that it is still too early to talk about achieving overall compatibility of reporting at the global level. These include:
- maintaining national accounting legislation in the vast majority of countries;
- use of national rather than international reporting standards in the vast majority of countries;
- maintaining a significant difference between national accounting standards in different countries and international financial reporting standards.

Of course, like any serious decision, determining the time and pace of transition to the use of IFRS requires an understanding and comprehensive analysis of the potential costs and benefits. A successful project to adopt IFRS should include not only accounting and financial reporting issues, but also issues related to internal processes and procedures for controlling the preparation of management information, technical issues of reporting, organizational issues such as personnel management, the introduction of a bonus system, ensuring effective interaction between the company's divisions, and legal aspects [14]. We have identified key factors that we believe will influence companies ' transition to using IFRS.

Table 4 Key factors influencing the transition to IFRS [6]

Accounting issues	**Reporting**	**Technical issues of reporting**	**Organizational matter**
Approach to implementing IFRS	Internal control systems and processes, including document flow, testing the effectiveness of their functioning	Developing the structure of the chart of accounts	Personnel management, including training, remuneration structure
Approach to initial application of IFRS, including date of transition and use of exceptions		Consolidation process	Legal and debt covenants
		Data collection and synthesis issues	Interaction with shareholders, effective interaction between divisions

Accounting issues	Reporting	Technical issues of reporting	Organizational matter
Review of significant accounting policies, including consideration of accounting alternatives	Management reporting and other internal information	Issues of managing various accounting systems in the process of transition to the use of new standards	Cash management

The first approach is characterized by a short period of time-simultaneous transition to the use of IFRS for all the group's enterprises (if there are parent and subsidiary companies) that prepare reports, a separate team of specialists working on the project, as well as attracting significant resources. The second approach provides for a longer transition period - a step-by-step transition to the use of IFRS of subsidiaries that prepare reports, as well as time-based project costs.

Analysis of the results of the international community's activities on standardization of accounting rules and reporting allows us to recognize a certain degree of harmonization of reporting organizations in those countries, national accounting standards and practices are close to IFRS. However, the presence of a large number of countries whose national reporting requirements are not adapted to international standards indicates that the application of IFRS has not yet become the sole basis for accounting activities in all countries of the world.

3. CONCLUSION

A comprehensive analysis of the use of International standards in the global economic system as the basis for the formation of a global integration model for the preparation and dissemination of financial information, identified ways to use IFRS, which most adequately meet the challenges of the world economy. Highlighted possible forms of application of IFRS and the ranking of IFRS in the countries on the extent of their use: Standards IFRS required for domestic public companies, IFRS is permitted but not compulsory for domestic public companies, the IFRS required or permitted for listing of foreign companies, the IFRS for SMEs is required or permitted, IFRS for SMEs is under consideration.

REFERENCES

[1] Almeida F. Strategies to perform a mixed method study. *European Journal of Education Studies*, 5(1), 2018, pp. 137-151.

[2] Alqatamin R. Audit Committee Effectiveness and Company Performance: Evidence from Jordan. *Accounting and Finance Research*, 7(2), 2018a, pp. 48-60. https://doi.org/10.5430/afr.v7n2p48

[3] Alqatamin R. Do Family-Owned Companies Achieve High or Low Performance? Evidence from Jordan. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 8(1), 2018b, pp. 215-223.

[4] Altawalbeh M., Alhajaya M. The Investors Reaction to the Disclosure of Key Audit Matters: Empirical Evidence from Jordan. *International Business Research*, 12(3) 2019. https://doi.org/10.5539/ibr.v12n3p50

[5] Amahalu N., Okeke M., Obi J. Audit Quality Determinants: Evidence from Quoted Health Care Firms in Nigeria. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 7(4), 2018, pp. 216-231.

[6] Arens A., Elder R., M. Beasley M., Hogan C. Auditing and Assurance Services, Global Edition, 16/E. Baxter, P., & Cotter, J. (2009). Audit committees and earnings quality. *Accounting and Finance*, 49(2), 2017, pp. 267-290. https://doi.org/10.1111/j.1467-629X.2008.00290.x

[7] Bazeley P. Mixed Methods in Management Research: Implications for the Field. *The Electronic Journal of Business Research Methods*, 13(1), 2015, pp. 27-35. http://www.ejbrm.com/issue/download.html?idArticle=396

[8] Marmul L.O., Marchenko O.A., Pylypenko K.A., Velychko T.G., Hranovska V.G. Financial and taxation aspects of tourism activities development. *International Journal of Management (IJM)*. (11) 3, 2020, pp. 287-293.

[9] Beattie V., Fearnley S. Hines T. Perceptions of Factors Affecting Audit Quality in the Post-SOX UK Regulatory Environment. *Accounting & Business Research*, 43(1), 2013, pp. 56-81. https://doi.org/10.1080/00014788.2012.703079

[10] Borkan J.M. Mixed Methods Studies: A Foundation for Primary Care Research. *Annals of Family Medicine*, 2(1), 2004, pp. 4-6. https://doi.org/10.1370/afm.111

[11] Brown J., Popova V. The Interplay of Management Incentives and Audit Committee Communication on Auditor Judgment. *Behavioral Research in Accounting: Spring*, 28(1), 2015, pp. 27-40. https://doi.org/10.2308/bria-51259

[12] Sievidova I., Mandych O., Oliynyk T., Kvyatko T., Romaniuk I., Leshchenko L., Vynohradenko S., Plyhun S. Optimization of activity strategies using numerical methods for determining equilibrium. *Eastern-European Journal of Enterprise Technologies*. 6(102), 2019, pp. 47-56.

[13] Songini L., Gnan L. (2015). “Family involvement and agency cost control mechanisms in family small and medium-sized enterprises”. *Journal of Small Business Management*, 53(3), 2015, pp. 748-779. https://doi.org/10.1111/jsbm.12085

[14] Montenegro T.M., Brás F.A. Review of the Concept and Measures of Audit Quality in Three Decades of Research. International Journal of Accounting. *Auditing and Performance Evaluation*, 14(2/3), 2018, pp. 183-253. https://doi.org/10.1504/IJAAPE.2018.091063

[15] N.N.G. Sai Pavan, K. Hemantha Raja, B.G.Rahul and SS. Asadi, A Statistical Evaluation on Road Safety Audit: A Model Study from Hanuman Junction to Kanaka Durga Vaaradhi Vijayawada, International Journal of Mechanical Engineering and Technology 9(2), 2018. pp. 721–733.

[16] Jinali Gandhi, Umang Shah and Dharmesh Mistry. An Exposition of Modern Information System Audits. International Journal of Information Technology & Management Information System (IJITMIS), 6(2), 2015, pp. 11-20.

[17] Haryono Umar, Erlina, Ayu Fauziah and Rahima Br. Purba, Audit Quality Determinants and the Relation of Fraud Detection, International Journal of Civil Engineering and Technology 10(3), 2019, pp. 1447–1460.