Management according to international standards in farming

Sergey Yekimov¹*, Evgeniya Mukhina², Zinaida Kostina², Tatiana Borodina²
Maria Ermakova²

¹Publishing House “Education and Science” s.r.o., Olstynska 607/1, Praha 8, 18100, Czech Republic
²Department of Economics and Management, Kamyshin Technological Institute (branch) of the State Educational Institution of Higher Education Volgograd State Technical University, Kamyshin, Russia

* E-mail: 3701313@mail.ru

Abstract. Management accounting is important for managing and controlling the activities of an agricultural enterprise. The implementation of management accounting is usually poorly regulated by the state, in this regard, the company can develop a system and form of management accounting, as well as a scheme for monitoring and reporting financial and economic activities. In addition to the data contained in the financial statements, management accounting, in our opinion, should take into account the peculiarities of the production process of a particular enterprise, which are difficult or impossible to objectively reflect in the financial statements. The use of management accounting in an agricultural enterprise contributes to the coordination of its divisions, allows you to improve the accounting, planning and control of production processes occurring in the agro-industrial enterprise. The presence of a synergistic effect from the interaction of all components of management accounting makes it possible to improve the efficiency of management of an agricultural enterprise. The application of international management accounting standards in agricultural enterprises makes it possible to more quickly and effectively implement favorable market conditions and timely solve problems that arise before the enterprise.

1. Introduction
In the management of an enterprise, two types of financial statements are used: internal and external, their information base is accounting. External financial statements are regulated by law, in accordance with the established terms, formats and procedure for their submission. The main consumers of external financial statements are the tax inspectorate and other state regulatory bodies.

Internal financial statements are intended for informational support in the management of the enterprise. Due to the fact that external financial reporting, as a rule, is universal for enterprises of different sectors of the economy, it does not take into account the features and conditions of functioning of a particular farm. Therefore, the use of only external financial statements for the effective management of the enterprise, in our opinion, is not enough.

According to [1] management accounting should primarily take into account external factors that affect the enterprise.

In the opinion of [2,3,4] management accounting should be a comprehensive system of accounting for income and expenses of the enterprise, which provides for the collection and processing of
information related to the implementation of economic activities of the enterprise in order to ensure effective control and planning of these activities.

According to [5,6] management accounting is an accounting system designed for effective management of the enterprise, which includes the collection and analysis of information about various aspects of the enterprise's activities in order to increase its competitiveness and improve the financial and economic performance of the enterprise.

In the opinion of [7] there is a practical need to develop forms of internal reporting, as well as methods of its preparation to provide the company's management with the necessary information for effective management of the enterprise.

According to [8] reporting is information that reflects the financial and economic activities of the enterprise, as well as an important component of accounting.

In the opinion of [9] financial statements should include not only economic indicators, but also methods and techniques for processing accounting primary documents to obtain these indicators.

According to [10,11,12,13] management reporting of an agricultural enterprise must meet the following requirements:

1. Management reports should be accurate and up-to-date at the time of their submission.
2. Immutability of the methodology for calculating management accounting indicators during the analyzed time interval.
3. Indicators of management reporting must meet the requirements imposed on it by those officials of the enterprise to whom this management reporting is intended.
4. Management reporting should be operational.

A number of researchers [14,15] they adhere to the point of view that the reliability of management reporting can be ensured only if it is based on information obtained from primary accounting documents, and therefore the main condition for the formation of correct management accounting is the correct accounting at the enterprise.

In our opinion, for farms that use a simplified form of accounting and reporting, primary accounting documents are not enough for effective management accounting, since this simplified form of accounting does not reflect the fullness of financial and economic activities.

2. Methods

In this study, we used an analytical method that allowed us to consider the problems under study in their development and unity.

Taking into account the tasks and goals of the study, the structural and functional method of scientific research was used. This made it possible to study some issues related to the use of international management accounting standards in farming.

3. Results

The prerequisite for writing this work was the appeal of the head of the farm "Kolos" from the Kharkiv region to the audit company "Victoria" LLC. The farmer applied to various banks with a request to issue him a loan for the purchase of agricultural machinery, but the banks, according to the farmer, unreasonably refused him a loan or offered not quite favorable credit conditions. Farm "Kolos" processes 98 hectares of land, part of the land is owned by the company, and part is leased from private individuals. The main type of production is the production of grain crops. The farm uses a simplified tax system and applies a simplified accounting and reporting system.

After analyzing the activities of the "Kolos" farm, we found out that most of the agricultural machinery used by the enterprise has a long service life and, according to accounting data, is almost completely worn out. However, according to information received from the farmer, this technique is in good condition, although its performance is lower than new samples. The farmer has the opportunity to purchase spare parts for his agricultural machinery in working condition, but previously used for a low price, and maintain it in working condition. Thus, according to the farmer, the book value of his agricultural machinery and underestimated does not reflect its real value.
According to the farmer, the cadastral valuation of land does not always correspond to its real value due to the fact that its market value may differ from the cadastral value. The cadastral value of land does not always objectively take into account the availability of land and challenging the size of the cadastral value is associated with additional costs.

The cost of the products produced by the farmer also varies depending on the market situation. To solve the problem, we suggested that the farmer implement elements of International Financial Reporting Standards (IFRS) in the accounting of his farm enterprise.

IFRS more objectively reflect business transactions, and therefore are more suitable for the preparation of management reports. For example, according to IFRS standards, enterprises should display inventories taking into account the probability of their realization and the degree of suitability for production. At the same time, according to the financial statements, the company's balance sheet also shows the assets of the company that cannot generate the company's income.

The adaptation of management accounting to international standards allows the use of standardized software in enterprises. Unified approaches to data collection and standardization of management reporting forms allow analyzing the company's activities not only for the company's management, but also for its investors and creditors.

Management accounting in accordance with international standards allows you to use (Figure 1):

![Diagram showing advantages of management accounting according to international standards](image)

**Figure 1.** Advantages of management accounting according to international standards.

In order to make an informed decision about the feasibility of implementing IFRS in an enterprise, in our opinion, its management should find out:

1. The advantages that can be provided by the use of management accounting in an enterprise in accordance with international standards.
2. The economic effect of saving the company's resources (information, labor, financial) when using management accounting in accordance with international standards.
3. Costs associated with the development, implementation and operation of management accounting in accordance with international standards.

As a result of the introduction of management accounting elements on the “Kolos” farm in accordance with international standards, its activities have become more transparent and understandable for employees of credit departments of commercial banks. They were able to more adequately assess the financial opportunities and risks associated with lending to this agricultural enterprise. This has allowed our farmers to get a loan in Creditagricole Bank for the purchase of new equipment.

### 4. Discussion

For the implementation of effective management and control over the financial and economic activities of an agricultural enterprise, the introduction of management accounting is important. The implementation of management accounting is poorly regulated by Ukrainian legislation, so the
company needs to independently develop forms and systems of management accounting, as well as
control and reporting of business operations.

Figure 2. Problems related to the implementation of international management accounting
standards at agricultural enterprises

In our opinion, the main task of implementing management accounting at the enterprise is to assist
the management of the enterprise in performing its functions. Along with the data of financial
statements management accounting should also take into account the specific features of the operation
of a particular company, whose financial statements it is not possible to objectively reflect. Not full
compliance the financial statements of enterprises of the real state of Affairs, we explain that each
enterprise has its own specifics and development of the General purpose financial statements, which
would take into account the specifics of functioning of all companies even the same industry may not
be realized in practice.

The application of management accounting can be important not only for the agricultural
enterprises themselves, but also for its investors and creditors. Since it allows you to provide them
with insider information that cannot be gleaned from financial statements.

The introduction of international management accounting standards at an agricultural enterprise is
associated with a number of problems (Figure 2).

5. Conclusions
The effectiveness of the head of an agricultural enterprise largely depends on the information that is
used in making management decisions, monitoring and planning the financial and economic activities
of the enterprise.

In our opinion, the following objects of management accounting can be distinguished:
1) Pricing, planning and internal reporting
2) Income and expenses of the enterprise itself, as well as its structural divisions

The main tasks of management accounting, in our opinion, are:
1) Optimization of business processes.
2) Creating favorable conditions for making managerial decisions
3) Monitoring of financial and economic activities at the enterprise.

The introduction of management accounting at an agricultural enterprise allows to improve the
coordination of its structural divisions, to optimize the process of control, accounting, planning and
regulation of business processes occurring at the enterprise. The synergistic effect of the interaction of
all elements of management accounting can improve the efficiency of the enterprise management
system.
The use of management accounting in agricultural enterprises makes it possible to use favorable market conditions more effectively, as well as to identify and solve problems existing at the enterprise in advance.

Thus, management accounting contributes to the successful long-term functioning of an agricultural enterprise, as well as its individual structural divisions.

References

[1] Kochinev Yuriy 2018 Audit in accordance with international standards 10.12737/textbook_5bd0860ac63961.15941177
[2] Korkushko Oleg & Svyryda Olga 2020 Formation of financial statements according to international standards in a pandemic condition Market Infrastructure 10.32843/infrastruct47-34
[3] Leibfried P 2002 Accounting according to IAS: More transparency and better comparability Stahl und Eisen 122 pp 87-91
[4] Lutsyk Julia, Diachenko Serhii, Kyrychenko Serhii, Kotsyuruba Volodymyr, Tkach Ivan 2020 Accounting policy of the government sector entity at the current stage of accounting systems development in accordance with international standards VUZF REVIEW 5 pp 38-42 10.38188/2534-9228.20.1.05
[5] Michel Rolf 2007 Measurement Uncertainties and Characteristic Limits According to International Standards in: Y. Wang, S. Li, P. Huang, Y. Yang, Y. An, X. Sun (eds.) Progress in Environmental Science and Technology Beijing 1 pp 186-195
[6] Radionova N, Gubska D 2019 Features of accounting and audit of fixed assets in accordance with the requirements of international standards Economic scope 10.30838/P.ES.2224.040719.113.537
[7] Stupnytska T, Volodina O, Vasylieva Yu 2018 The peculiarities of debts receivable accounting according to the national and international standards: a comparative aspect Economics of the food industry 10 10.15673/fie.v10i1.873.
[8] Usupov M 2020 On the analysis and evaluation of the financial activities of an enterprise in the toktogul region of Kyrgyzstan in accordance with international standards Ekonomika i upravlenie: problemy, resheniya 2 pp 77-79 10.36871/ek.up.p.r.2020.10.02.012
[9] Vakun O, Zarudna N, Kundeus O 2019 Challenges of lease transactions accounting according to national and international financial reporting standards Galitsky economic bulletin 60 pp 102-111 10.33108/galicianvisnyk_tntu2019.05.102
[10] Xuan Huong, Phuc Canh, Tu Nhu 2016 Governance of Vietnam's Financial Institutions in Accordance with International Standards until 2020 Journal of Asian Business and Economic Studies 23 pp 50-76 10.24311/jabes/2016.23.1.07
[11] Zavitii Olha, Rozdymakha Serhii 2020 Directions of implementation of financial reporting according to international standards The institute of accounting, control and analysis in the globalization circumstances pp 33-41 10.35774/ibo2020.02.033