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TRANSFORMATION OF FINANCIAL REPORTING OF SMALL ENTERPRISES ACCORDING TO IFRS

Introduction. *Small businesses play an important role in ensuring the economic stability of Ukraine, but during the war they are in a difficult situation and need support.*

Problem. *For small enterprises, overcoming existing problems is possible thanks to cooperation with European companies, investors, counterparties, international financial organizations, entering*

ТРАНСФОРМАЦІЯ ФІНАНСОВОЇ ЗВІТНОСТІ МАЛИХ ПІДПРИЄМСТВ ЗГІДНО З МСФЗ

Вступ. *Малі підприємства відіграють важливу роль у забезпеченні економічної стабільності України, але під час війни вони перебувають у скрутному становищі та потребують підтримки.*

Проблема. *Для малих підприємств подолання наявних проблем можливе завдяки співпраці з європейськими компаніями, інвесторами, контрагентами, міжнародними фінансовими*

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foreign markets, attracting capital, participating in grant projects, startups, etc., but this requires a transition to international accounting standards and the transformation of financial reporting.

The aim of the article is to highlight the peculiarities of the transition of small business enterprises to international accounting and reporting standards and to find practical recommendations for improving the transformation of financial reporting.

Methods. During the research, general scientific and special methods were used, in particular: induction, deduction, comparative analysis, synthesis, generalization, grouping, abstract logical methods.

Results. The sequence and scheme of the transition of small business enterprises from national accounting and reporting standards to international ones is analyzed, the stage of transformation of simplified financial reporting into reporting according to the International Financial Reporting Standard for Small and Medium Enterprises (IFRS for SMEs) is highlighted. The characteristics of financial reporting transformation procedures, examples and features of reclassification of individual accounting objects and reporting items, typical for small enterprises, are given. An amendment table is provided for the transformation of the financial statements of a small enterprise into reporting according to international standards.

Conclusions. The transformation of the financial reporting of a small business entity into reporting according to international standards involves a number of organizational and technical measures to reformat the accounting policy, adjust the accounting system and digitize it according to new rules and approaches, etc. The proposed corrective table helps control the reporting transformation process and track the relationship between the changes made, promotes information disclosure and reporting transparency.

Keywords: transformation, reporting, transformation of reporting, international financial reporting standards, small business, small enterprise.

JEL Classification: M41, M49.

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Introduction. Currently, in the conditions of martial law, maintaining economic stability is one of the national priorities for Ukraine. Comparing with the period until February 23, 2022, 46.8 % of Ukrainian enterprises are stopped or almost stopped, the total direct losses of small and medium-sized businesses from February 24, 2022 are estimated at USD 85 billion [1]. Among the main problems and obstacles, the lack of a sufficient number of solvent buyers and clients, the unpredictability of the

організаціями, виходу на зовнішні ринки, залученню капіталу, участі у грантових проєктах, стартапах тощо, але для цього необхідний перехід на міжнародні стандарти бухгалтерського обліку та трансформація фінансової звітності.

Метою статті є висвітлення особливостей переходу підприємств малого бізнесу на міжнародні стандарти бухгалтерського обліку й звітності та пошук практичних рекомендацій щодо вдосконалення трансформації фінансової звітності.

Методи. Під час дослідження використано загальнонаукові та спеціальні методи: індукція, дедукція, порівняльний аналіз, синтез, узагальнення, групування, абстрактно-логічні.

Результати. Проаналізовано послідовність і схему переходу підприємств малого бізнесу від національних стандартів бухгалтерського обліку та звітності до міжнародних, виокремлено етап трансформації спрощеної фінансової звітності у звітність за Міжнародним стандартом фінансової звітності для малих і середніх підприємств (МСФЗ для МСП). Проведено характеристику процедур трансформації фінансової звітності, приклади та особливості перекласифікації окремих об'єктів обліку та статей звітності, характерні для малих підприємств. Наведено поправкову таблицю для трансформації фінансової звітності малого підприємства у звітність за міжнародними стандартами.

Висновки. Трансформація фінансової звітності суб'єкта малого підприємництва на звітність за міжнародними стандартами передбачає низку організаційних та технічних заходів з переформатування облікової політики, налагодження системи бухгалтерського обліку та її оцифрування за новими правилами та підходами тощо. Запропонована коригуюча таблиця допомагає контролювати процес трансформації звітності та відстежувати взаємозв'язок внесених змін, сприяє розкриттю інформації та прозорості звітності.

Ключові слова: трансформація, звітність, трансформація звітності, міжнародні стандарти фінансової звітності, малий бізнес, мале підприємство.

development of the situation in Ukraine, and insufficient capital [1] are highlighted. For small and medium-sized enterprises, important ways to overcome existing problems can be: entering foreign markets, attracting foreign capital, business development and cooperation with investors, participation in grant projects and competitions, but this requires the transition to international accounting and reporting standards and conducting financial reporting transformation procedures.

It is common knowledge that economic stability and purchasing power are mainly ensured by the functioning of small and medium-sized businesses. Thanks to administrative and tax relaxations on the part of the state, since the beginning of the war, there has been an increase in the number of small and micro business entities in Ukraine, an increase in the volume of preferential lending to small and medium-sized enterprises, including at the expense of foreign partner countries and international organizations. In particular, during the martial law, 10 945 concessional loans worth UAH 41.89 billion were issued within the framework of the State Program «Affordable Loans 5-7-9 %» [2]. All this emphasizes the urgency of the transition of enterprises to international standards today and the growth of these prospects for the future.

The need to transform financial reporting, the preparation of which was carried out according to national standards, into reporting according to International financial reporting standards (hereinafter – IFRS) is due to the fact that although the development of National accounting provisions (standards) (hereinafter – NAR(S)) was based on IFRS, and the legislation of Ukraine indicates the absence of contradictions between them [3; 4], however, not all requirements for disclosure of information in financial statements according to national standards meet the requirements of international standards. In particular, this concerns the forms of financial reporting regulated in Ukraine, the abbreviated content of NAR(S), the lack of practical examples and certain clarifications that are in IFRS, similar standards, differences in the interpretation of individual provisions and requirements. The transformation of financial reporting into reporting prepared according to international standards guarantees the reliability, openness and transparency of information about the reporting entity.

Problem. The problem of the transformation of financial reporting is that there are no approved uniform rules or recommendations on how to conduct it, it is an individual process that must take into account the specifics of the activity and accounting of a particular enterprise. The legislation of Ukraine defines the range of entities that are obliged to switch to international accounting and reporting standards [2], however, most small enterprises choose IFRS as an independent decision.

In a simplified sense, transformation is a certain set of procedures that allow you to transform financial information compiled according to one set of rules into financial reporting forms compiled according to other rules. For a small business enterprise, transformation means the transformation of

financial information from reporting under NP(S)BO, including from simplified forms under NAR(S) 25 «Simplified Financial Reporting» [5], into reporting forms according to the International Standard of Financial Reporting for Small and medium-sized enterprises (hereinafter – IFRS for SMEs) [6], namely: the need to regroup accounting information and adjust reporting items.

The transformation of financial reporting of small business enterprises has a number of features, the description and explanation of which will be of practical importance for business entities, will facilitate the transition to international standards and help take advantage of their advantages, which are so necessary today in Ukraine.

Analysis of recent research and publications. The issue of accounting and reporting according to international standards is highlighted in the works of a number of scientists and practitioners, among whom it is necessary to highlight the authors: T. Ostriкова, S. Rogozny, T. Shevtsova, S. Zubilevich, O. Mazina [7; 8]. Comparison of accounting and reporting of small business entities in Ukraine according to national and international standards, aspects of harmonization of accounting and reporting in the context of European integration are reflected in the works of domestic scientists: O. Malyshkin, S. Shulyarenko, K. Bezverkhy, I. Kovova, V. Karyev, O. Yarmolytska [9; 10]. The problems of financial reporting transformation and the search for ways to overcome them are presented in the works of A. Kotyash [11] and N. Salova [12].

Foreign scientists R. Lombardi and G. Secundo [13] emphasize the growing relevance of the transformation of financial reporting under the influence of modern information and smart technologies, analyze in detail the types of reporting that enterprises make, highlight the impact of digital technologies on the processes of global transformation of corporate reporting for exchange information between the main users, which is extremely important for further achieving the goals of corporate social responsibility, accountability and business transparency.

German scientists P. Ulrich and R. Rieg also offer a discussion of the potential of reporting for the use of digital technologies, the possibilities and limitations that exist in this regard today [14].

The publication of S. Alibhai, E. Bakker, T. Balasubramanian etc. is devoted to organizational issues and benefits from the implementation of IFRS [15]. R. Weetman, I. Tsalavoutas, P. Gordon investigate the further development of IFRS, the expansion of opportunities for their application and the transition of companies to international standards [16].

Despite a significant amount of work, the specifics of the transformation of financial reporting specifically for small business enterprises, the theoretical and practical aspects of the transition from a simplified system of accounting and reporting according to national standards to the application of a full package of IFRS or a single IFRS for SMEs are still not sufficiently covered. The opportunities and advantages

provided by the transition to international standards, in particular, an increase in the quality of financial reporting, its comprehensibility for users and transparency will contribute to entering foreign markets, more active cooperation with European countries, international financial organizations, companies, investors, counterparties, which will help to support economic stability in Ukraine. That is why the study of the peculiarities of the transition to international standards and the practical aspects of the transformation of financial reporting of small business enterprises require in-depth research and have significant practical significance.

The aim of the article is to highlight the peculiarities of the transition of small business enterprises to international standards and the transformation of financial reporting into reporting according to international standards, to find practical recommendations for improving the transformation of reporting.

Methods. During the research, general scientific and special methods and methods of cognition were used, in particular: analysis and synthesis regarding the disclosure of information support for the preparation of financial statements; induction and generalization to characterize the conceptual provisions of financial reporting transformation; comparison and grouping are used to classify discrepancies between national and international standards; comparative analysis for the formation of a corrective table of reporting transformation; the abstract-logical method was used for theoretical generalizations and formulation of conclusions. The scientific hypothesis of the study is the assumption of the imperfection of the organization and methodology of the transformation of the financial reporting of a small business entity into reporting according to international standards, which leads to an increase in the complexity of the reporting transformation process and the incomplete satisfaction of information needs for the purposes of enterprise management and requires improvement. The novelty of the obtained results lies in the substantiation of the provisions and recommendations regarding the improvement of the transformation of the financial reporting of a small business entity into reporting according to international standards.

Results. The transformation of the financial statements of a small enterprise from a simplified form to reporting according to international standards, namely to reporting that meets the requirements of IFRS for SMEs, has a number of features. First, the IFRS for SMEs itself was published back in 2009. The last edition of the IFRS for SMEs took place in 2015 and was translated into Ukrainian and published on the official website of the Ministry of Finance of Ukraine [6], and can be used by small and medium-sized enterprises, which are not publicly accountable and publish general purpose statements for external users. If the general IFRS are focused on the needs of satisfying the interests of investors, creditors who have invested in equity capital, or whose shares are on the stock market, their requirements and recommendations are more suitable for

public companies. IFRS for SMEs are more focused on users who are interested in financial results, cash flows, current liquidity and financial stability of the enterprise [17]. Secondly, IFRS for SMEs does not require such amount of information disclosure, which reduces the burden on the accounting system and optimizes the cost-benefit ratio for the enterprise [18].

In view of the latest changes in legislation, when transitioning to international standards, the company must first of all significantly change its accounting policy. It should be noted that the new accounting policy was developed in accordance with IFRS for SMEs, which is part of the international standards adopted by the International Accounting Standards Board and published on the website of the Ministry of Finance of Ukraine, taking into account the provisions of the Conceptual Framework for Financial Reporting [19], with the aim of ensuring uniform (permanent) principles, methods, and procedures for displaying operations in accounting and preparing financial statements [20]. The enterprise needs to apply those professional judgments that most optimally characterize the financial condition and do not contradict IFRS and the Conceptual Framework. Similarly, when applying the company's accounting policies, it is necessary to take into account that management makes various judgments that can affect the amounts recognized in the financial statements.

It is worth noting that the subject of professional judgment in the context of IFRS, in addition to the accountant, is also the managers of the enterprise, who can apply judgment, determining: when all significant risks and rewards from the ownership of assets are transferred to other business entities; the procedure for assessing the degree of completion of service provider operations; the fact of whether the essence of relations between enterprises indicates the presence of control by one enterprise over another; definition of functional currency; provision assessment; determining the composition of a business segment or geographic segment, etc.

Enterprise managers, making certain decisions regarding the definition and application of accounting policy, rely on the professional judgment of specialists of a certain profile. We believe that the professional judgment used in the process of preparing financial statements is based on the knowledge and qualifications of the relevant specialists (supervisor, accountant, manager).

For the transformation of financial reporting, an important issue is the date of transition to international standards. For example, the company LLC «WOOD-PROM» chose 01.01.2019 as the date of transition to IFRS for SMEs, accordingly, 2019 became a comparative period for the company – a transformational one for the preparation of financial statements. It was on 01.01.2019 that the opening balance was drawn up according to IFRS for SMEs. The opening date of the first reporting period under IFRS for SMEs is 01.01.2020, and the financial statements for 2020 are the first financial statements prepared entirely on the basis of the application of the international standard IFRS for SMEs (*Figure 1*).

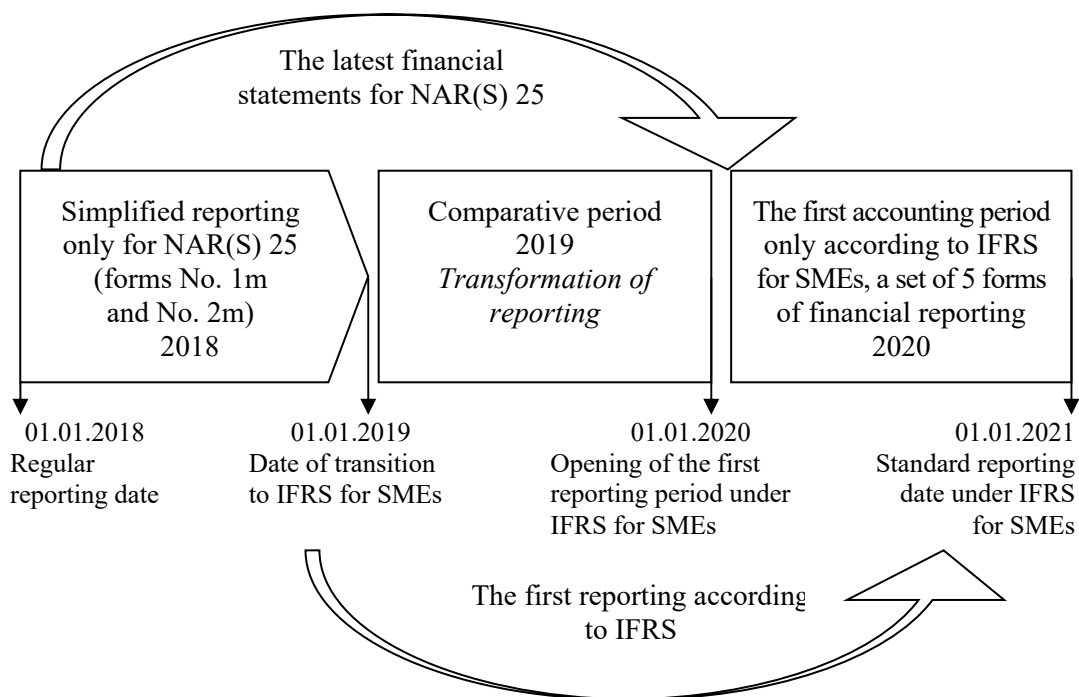


Figure 1. Scheme of the transition of a small business enterprise from a simplified reporting system to international standards (IFRS for SMEs)

Source: compiled on the basis of [5; 6; 21; 22] on the example of LLC «WOOD-PROM» (at the request of the company, its name was changed).

Thus, for the transformation of financial statements, it is important to understand that two years pass for an enterprise between the date of transition to IFRS for SMEs and the first regular reporting, therefore the transition balance sheet presents information for three dates: 01.01.2019, 31.12.2019, 31.12.2020. Moreover, the balance sheets at the beginning and end of 2019 are the reporting of the comparative period, which are based on the transformation from rules according to national standards to rules according to international standards. The statement of financial position as of 01.01.2021 (or 31.12.2020) is the first balance sheet that is drawn up immediately under IFRS for SMEs. Accordingly, the company prepares two profit and loss reports: for 2019 through transformation for the comparative period and for 2020 as the first report compiled on the basis of IFRS for SMEs. Similarly, other forms of reporting and an expanded composition of notes.

Among the methods of transformation that generally exist in practice, the most rational is the transformation of forms of financial reporting, not at the level of transactions or accounting registers, and not conversion [21]. As it is known, there are discrepancies between NAR(S) and IFRS, the company that prepares reports according to IFRS is forced to reflect separately and in practice keep parallel accounting according to IFRS or to periodically transform the reporting prepared according to NAR(S). For a small enterprise, parallel accounting is quite costly and therefore unprofitable. With the preservation of existing accounting registers and the use of the general Plan of accounting accounts and the Instructions for it, we consider the method

of transformation at the level of financial reporting to be the most profitable and less costly.

The transformation of financial reporting means the implementation of measures and adjustments to transform the indicators of financial reporting prepared according to NAR(S) 25 into reporting under IFRS for SMEs, taking into account the principles of recognition, evaluation, and disclosure requirements laid down in it.

The process of transformation of financial reporting at a small enterprise can be represented in the form shown in *Figure 2*.

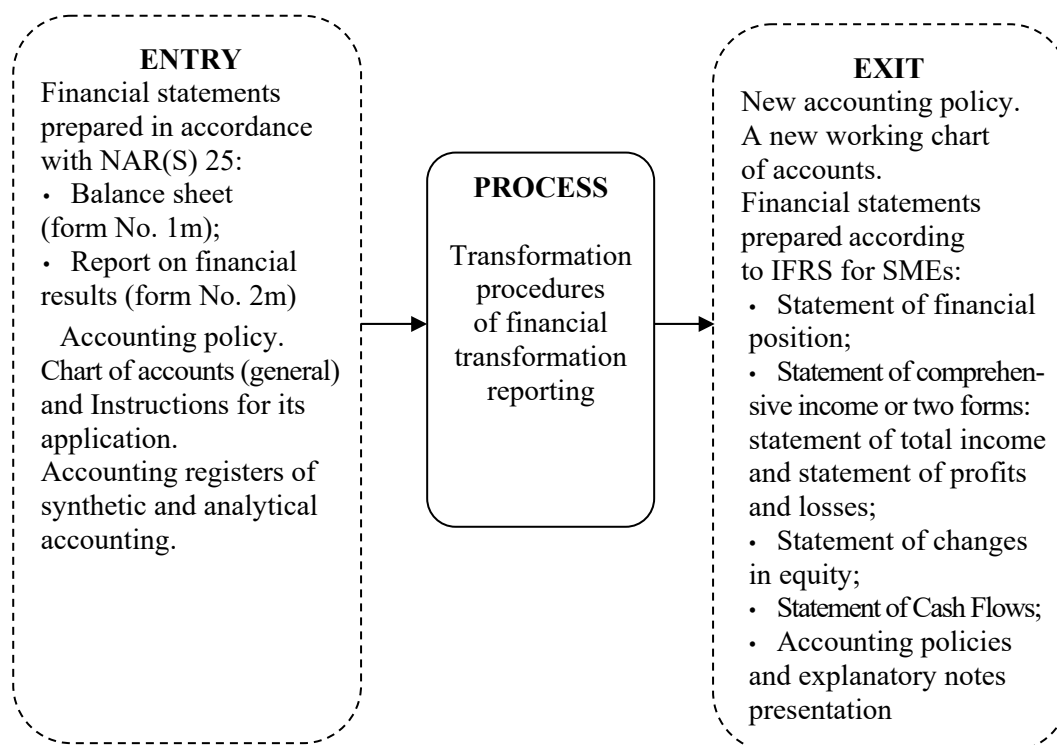


Figure 2. Scheme of the process of transformation of the forms of financial reporting of a small business enterprise into reporting under IFRS for SMEs

Source: summarized by the author based on the analysis of the accounting organization at the enterprise and [5; 6; 23].

If the transformation is based on the introduction of adjustments in the accounting registers, corrective transactions on synthetic and analytical accounts (sub-accounts), allows the formation of a new turnover and balance statement already on the basis of which reporting under IFRS is compiled with the regrouping of individual items and accounts. The transformation at the stage of data transfer from Ukrainian reporting forms to reporting forms according to the requirements of IFRS requires adjustments already at the level of filling in the relevant articles and reports. As practice shows, the most work required in the transformation of reporting is the correct transfer of data from two shortened forms of reporting into five full-fledged, although somewhat simplified according

to IFRS for SMEs. It is clear that such adjustment and reclassification of reporting items and accounting objects also require the introduction of corrective transactions, an appeal to the accounting registers when disclosing information in the notes.

The advantages of this method can be called saving time and costs, the use of standard forms of reporting – in fact, from NAR(S) 25 to NAR(S) 1 with the corresponding mark that «Compiled according to international standards» and in accordance with norms IFRS for SMEs, about full compliance with all the requirements of this standard, which is clearly stated in the notes to the financial statements. Notes that are formed according to IFRS differ from those provided for enterprises using national standards [24]. The notes after the transformation of the reporting fully comply with the disclosure requirements contained in the IFRS for SMEs. At the same time, the corrective actions are immediately visible, they quite clearly and transparently demonstrate the transformation of reporting, and on the basis of this information is disclosed in the notes in the form of explanations.

In contrast to NAR(S) 1 «General requirements for financial reporting» [4], IFRS for SMEs Chapter 10 [6] and IFRS 1 «First-time application of International Financial Reporting Standards» [22] include requirements only for the inclusion of indicators in the profit and loss statement, but does not disclose their content. According to NAR(S) 1 and NAR(S) 25, the form of the report on financial results differs from international standards in that the report on the financial results of a small business entity consists of one section and does not include «Elementary costs of operations» and «operations Calculation of share profitability indicators». The structure of the report on financial results in accordance with NAR(S) 25 corresponds to the classification according to the cost function method, which is provided for in IFRS 1 and IFRS for SMEs.

When transforming the financial statements of a small enterprise into reporting according to international standards, it is mandatory to comply with the principles of accrual and continuity of activity, as well as requirements for the quality of information provided in the statements. Since the transition to the formation of financial statements in accordance with the requirements of IFRS is carried out through transformation, the financial statements should include comparative information for at least one previous period, therefore, it is necessary to transfer the relevant information to the beginning of the year for which such comparative information is provided. For example, LLC «WOOD-PROM», preparing for the first time reporting in accordance with IFRS for SMEs for 2020, must retrospectively recalculate the balances for January 1, 2019 and December 31, 2019. Moreover, the transformation includes balance sheet analysis (form No. 1m) and the report on financial results (form No. 2m), which meet the requirements of NAR(S) 25, and making the necessary adjustments to them to ensure that information is presented in full compliance with IFRS for SMEs.

For example, the transformation of the item «Fixed assets» involves a review of the composition of fixed assets and clarification of the initial assessment and book value of fixed assets. Accordingly, as a result of the transformation, the class of fixed assets may differ from the classification of fixed assets established by state authorities in Ukraine. In addition, the clarification of the book value of fixed assets depends on the approach to their assessment chosen by the enterprise and may differ from the approaches according to IFRS, which needs to be taken into account during the transformation of reporting.

There is also a need to reclassify the gender of stocks, taking into account the differences between NAR(S) 9 and IFRS for SMEs. In particular, the value of inventories is reduced by those amounts that do not meet the definition of assets and low-value and perishable items, the value of which is below the materiality limit for such assets established by the enterprise. The item «Cash and their equivalents» and the separate definition of cash equivalents given in NAR(S) correspond to IFRS for SMEs. Therefore, it is advisable to combine the amounts and include them in the transformed balance sheet under the item «Cash and their equivalents» [25].

Small business entities when transitioning to IFRS for SMEs in inventory accounting are guided by the requirements of Chapter 13 «Inventories» of this standard. According to NAR(S) 9, the valuation of stocks at initial recognition depends on the method of receipt at the enterprise, therefore there are some differences when calculating the value of stocks that come as a result of an acquisition, are independently manufactured, are a contribution to the statutory registered capital or are discovered during inventory. Chapter 13 of the IFRS for SMEs contains a more detailed list of costs that cannot be included in the cost of inventories, including: selling costs, overtime waste, administrative overheads, labor wages or other costs that are not related to the delivery of inventories to their present location and bringing to present state. If a small enterprise switches to a general package of IFRS, then during the transformation it is necessary to take into account that according to IAS 2, the cost of inventories includes costs: for acquisition, processing and other costs incurred during the delivery of stocks to the location and bringing them into proper condition. According to IAS 2 and IFRS for SMEs, inventories are taken at their storage locations at the end of the year for the preparation of annual financial statements. Based on the results of the inventory, the balances of stocks at the end of the reporting period are determined and evaluated, which are debited to the accounts of the corresponding stocks from the accounts of financial results, which is not provided for in NAR(S) 9 [23].

For small business enterprises, it is important that, in accordance with international standards, it is possible to create a provision reserve for firm contracts, as it helps to evaluate stocks at the contract price regardless of changes in the net realizable value. In addition, for preliminary revaluation of stocks according to IFRS for SMEs and IAS 2, the amount of

the next revaluation is carried out by reversal of previously recognized costs. While NAR(S) 9 allows recognizing other operating income with an increase in the value of these stocks, which is more economically expedient since the «reversal» method is used when depreciation and revaluation occur in the same accounting period. Therefore, if the periods do not coincide, it is impossible to reduce the expenses of the reporting period by the amount of expenses of the past reporting periods, it is more correct to recognize the income. Therefore, during the transformation of reporting, it is necessary to take into account that, in contrast to NAR(S) 9, according to international standards, it is possible to create a security reserve under firm contracts and to evaluate inventories at the contract price.

The transformation of current receivables involves: exclusion from the item «Receivables for issued advances» of that part of the balance of subaccount 644 «Tax credit» that is related to issued advances; recognition of receivables related to services provided (work performed), for which acts were not drawn up (with simultaneous recognition of the amount of income in the statement of financial results); recognition of doubtful debts (if any) for other items of receivables that are financial assets.

It should be borne in mind that IFRS does not define specific methods for calculating and displaying doubtful debts. Therefore, the enterprise can create a reserve for doubtful debts or directly write off the amount of doubtful debt to expenses using self-selected methods, in particular as a percentage of the number of net sales. However, this approach is unacceptable from the point of view of IFRS, as it is a distortion of the method of determining the reserve for doubtful debts in the net income from the sale of goods (services) [25].

It should be noted that the transformation of the balance sheet item «Other current assets» involves the exclusion from the balance of subaccount 643 «Tax liabilities» of the part related to the receipt of advances (with the simultaneous exclusion of this amount from the composition of the received advance payments, reflected in the composition of liabilities «Yazan in the liabilities of the balance sheet»). If assets were received for free, then the value of non-current assets received by the enterprise for free is excluded from the composition of the company's equity and assets, and the amount of depreciation of such non-current assets accrued in previous years is transferred to the composition of retained earnings.

The transformation of items of current liabilities involves clarifying the composition and evaluation of these items: accounts payable for actually received services (work) that were not formalized by an act are recognized (with simultaneous reflection in the composition of expenses); the part of the balance of subaccount 644 «Tax credit» is excluded from the composition of the item «Other current liabilities» (with its simultaneous exclusion from the composition of the corresponding item of receivables, in which the amount of the advance payment is reflected), which is related to the advances provided.

During the transformation of reporting, it is necessary to analyze the income and expenses shown in the report on financial results (form No. 2) and regroup them in accordance with the requirements of IFRS for SMEs [24]. In general, in the process of transformation, you should make sure that the amount of income shown in form No. 2 is recognized in accordance with IFRS for SMEs. Similarly, in the presence of services provided, for which acts were not signed as of the balance sheet date, the amount of income from such services is recognized with the simultaneous recognition of receivables in the balance sheet. In the process of transformation, excessive inventory losses are excluded from the composition of work-in-progress and included in the cost of sales. In addition, in the case of recognition of income from the provision of services for which an act was not signed on the balance sheet date, the cost price of these services must also be recognized. After the transformation of all items of income and expenses, indicators of: gross profit (loss); profit (loss) before taxation; net profit (loss).

The problem with the transformation of financial reporting is that there are no approved uniform rules or recommendations on how to conduct it. This is a rather individual process, which must take into account the specifics of the activity and accounting of a particular enterprise. This is usually done by consulting firms or qualified employees. Any developments regarding reporting transformation methods are considered intellectual property or commercial secrets [26]. In the scientific literature, general algorithms and individual examples are prescribed, which are more relevant to those entities that switch to the use of international standards due to legislative requirements.

Transformational or adjustment tables occupy the most attention in the process of reporting transformation. Therefore, in accordance with the results of the analysis of the activities of LLC «WOOD-PROM» and accounting and reporting data, a form of adjustment table was developed for the transformation of the financial statements of a small enterprise into reporting according to international standards, which is presented in *Table*. The adjustments indicated in this table refer to the reporting as of December 31, 2019. Similar transactions according to the adjustment table are carried out on January 1, 2019.

If during the transition to international standards after the inventory it was found that a number of stocks are subject to depreciation due to the unification of nomenclature groups under IFRS for SMEs, then it is necessary to reduce their net realizable value in order to comply with the principle of prudence. If during the assessment of the value of fixed assets based on the involvement of special valuation experts, it is established that the fair value of the asset differs from the balance sheet value, in this case, for this accounting object, it is necessary to make an adjustment in the transformation table to reflect the difference between the estimates according to NAR(S) according to IFRS for SMEs – the so-called model of revaluation from historical according to national standards to fair according

to international standards, in correspondence with the account of capital accounting in revaluations and the corresponding impact on balance sheet indicators. LLC «WOOD-PROM» reviewed the terms of operation of non-current assets due to changes in the terms of useful use of fixed assets under IFRS for SMEs, therefore the amount of accumulated depreciation was increased as a result of recalculation with the corresponding adjustment of sales costs (objects were used in the sale of goods) and financial results. However, there was a need to adjust administrative expenses, thus deferred tax liabilities were not recognized.

Table

Corrective table of transformation of financial reporting of a small enterprise into reporting according to international standards (on the example of LLC «WOOD-PROM»)

Account, name	Initial amount	Adjustment			Amount after adjustment (column 2 + column 3)	Display of the adjustment amount in the reporting	
		sum, thousand UAH	debit	credit		form №	line code
1	2	3	4	5	6	7	8
103 «Buildings and structures»	1311	139	103	41	1450	1	Assets 1011 liabilities 1405
131 «Depreciation of fixed assets»	1311	139	131	41	1450	1	Assets 1012 liabilities 1405
131 «Depreciation of fixed assets»	98	19	93	131	117	1, 2	Assets 1012 I Chapter 2150
201 «Raw materials and materials»	722	-14	44	20	708	1	Assets 1100 liabilities 1420
209 «Other materials»	83	-30	44	20	53	1	Assets 1100 liabilities 1420
131 «Depreciation of fixed assets»	612	-19	131	92	593	1, 2	Assets 1012 I Chapter 2130
361 «Receivables»	480	37	361	702	517	1, 2	Assets 1125 I Chapter 2000
...							
Total	x	x	...	1	Assets 1300 liabilities 1900

Source: compiled on the basis of practical data of LLC «WOOD-PROM» and processing [25; 26]

Therefore, the transformation of financial reporting into IFRS reporting is the process of transition to accounting and financial reporting according to international standards with the introduction of adjustments to the current accounting policy and accounting information, regrouping of reporting indicators that were prepared according to national standards (in particular, for the entity small business under NAR(S) 1 or NAR(S) 25) in accordance with the requirements of IFRS for SMEs or the full package of IFRS on the date of such transition [26]. The proposed form of the correction table when transforming the financial statements of a small

enterprise into reporting according to international standards allows you to immediately monitor those changes that were necessary during the transformation, display the corresponding corrective actions, and those lines of the reporting forms that they changed. This helps to more clearly monitor the validity of changes and their connection with accounting accounts and financial statement items, which ultimately facilitates the process of transformation of financial statements and their analysis.

Conclusions. The transformation of financial reporting is a necessary stage in the transition to international financial reporting standards. The peculiarities of the transformation of the financial reporting of a small business entity into reporting according to international standards are connected with the reformatting of the accounting system, accounting policy, approaches to the evaluation and classification of accounting objects, which were carried out according to national standards under a simplified system, into reporting which is made according to rules and methods laid down in international standards. In practice, the transition from a simplified form of reporting, which involves only two forms of reporting – a balance sheet and a statement of financial results, the use of a simplified chart of accounts and simplifications and relaxations for small businesses that operate in Ukraine, to a full reporting package of five forms and accounting features of accounting, even under IFRS for SMEs, is a time-consuming and responsible process.

The transformation of financial reporting under IFRS includes several stages: choosing the date of transition to IFRS (the first report under IFRS is possible only two years after this date); approval of a new order on accounting policy according to IFRS; carrying out an inventory on the date of transition to IFRS; preparation of the opening balance sheet on the date of transition to IFRS (at this stage, adjustments are made to items due to retained earnings, which do not cause tax consequences); preparation of comparative financial statements according to IFRS. During the reporting transformation, the write-off of assets and liabilities that are not subject to recognition under IFRS is reflected. And similarly, articles that are recognized by international standards, but were not previously shown according to national standards, must be reclassified and evaluated in accordance with IFRS during the transformation. The method of transformation of income and expenses, which is essentially a transformation of the report on financial results, includes such basic procedures as: selection of the report format (one report or two reports); analysis of the composition, and regrouping of income and expenditure items; reflecting income and expenses recognized as a result of balance sheet transformation.

Based on the processing of the collected practical information and taking into account the peculiarities of accounting at small business enterprises, a form of correction table is proposed for the transformation of the financial statements of a small enterprise into reporting according to international standards, which allows you to immediately monitor those changes that were necessary during the transformation, the corresponding

corrective actions and articles of the forms of the financial the statements they changed. This helps to control the process of transformation of reporting and to more clearly monitor the relationship between the introduced changes, contributes to the disclosure of information, and transparency of reporting.

The study showed that transformational adjustments can affect analytical indicators, in particular, the company's profitability, its liquidity, and other coefficients, which are calculated on the basis of financial statements, which can cause significant consequences when assessing the company's financial condition and making economic decisions. We believe that the main direction of reforming the national accounting and reporting system, which will ensure the reliability of reported data, remains further harmonization with international standards, and the transition to international standards can be a significant lever for the growth of business activity and economic stability of enterprises in Ukraine in the conditions of European integration.

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