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### **MANAGEMENT REPORTING OF PHARMACEUTICAL ENTERPRISES**

*The pharmaceutical industry has been repeatedly identified by the government of the state in the direction of the production of medicines as a priority branch of the economy, because it largely determines the national and defense security of the country, as a result, it acts as a special segment of the market regulated by the state. The accounting of pharmaceutical enterprises has several features compared to other accounting types of activity. Consequently, there is a need for a detailed study of accounting and reporting organisations in pharmaceutical activities to fulfil the accounting purpose. There is a need to order management reporting, which will allow optimising the functioning system so as not only to satisfy the population's needs but also to increase the enterprises' profit. The aim of the article is to highlight the principles and approaches to the formation of management reporting of a pharmaceutical enterprise, to determine the forms, elements and format of its presentation. During the research, general scientific and special methods were used, in particular: dialectical method, systematic approach modeling and methods. The paper substantiates the theoretical principles of improving the accounting reporting of pharmaceutical enterprises. Management reports on the provision and sale of medicines are proposed. Ways to improve the reporting organisation at the pharmaceutical enterprise are considered. Measures to enhance information support at pharmaceutical enterprises are offered. With the transition to new economic management forms, increasingly high requirements are placed on reporting. The objectivity, reliability and timeliness of primary financial reporting*

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### **УПРАВЛІНСЬКА ЗВІТНІСТЬ ФАРМАЦЕВТИЧНИХ ПІДПРИЄМСТВ**

*Фармацевтична промисловість за напрямком виробництва лікарських засобів неодноразово зазначалася урядом держави як пріоритетна галузь економіки, адже значною мірою визначає національну й оборонну безпеку країни, відтак, є особливим сегментом ринку, що регулюється державою. Облік фармацевтичних підприємств має ряд особливостей, тому виникає потреба в детальному дослідженні питання організації бухгалтерського обліку та звітності у фармацевтичній діяльності для виконання мети бухгалтерського обліку. Складання управлінської звітності сприятиме оптимізації системи функціонування так, щоб не лише задовольнити потреби населення, а й примножити прибуток підприємства. Метою статті є висвітлення принципів та підходів до формування управлінської звітності фармацевтичного підприємства, визначення форм, елементів та формату її подання. Під час дослідження використано загальнонаукові та спеціальні методи, зокрема: діалектичний, системний та моделювання. Обґрунтовано теоретичні засади вдосконалення облікового забезпечення звітування фармацевтичних підприємств. Запропоновано управлінські звіти постачання та реалізації лікарських засобів. Розглянуто шляхи вдосконалення організації звітування на фармацевтичному підприємстві. Запропоновано заходи з удосконалення інформаційного забезпечення на фармацевтичних підприємствах. Об'єктивність, достовірність та своєчасність складання первинної господарської звітності має сьогодні важливе економічне значення для прийняття правильних управлінських рішень;*



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are essential today because it allows: to make the proper management decisions; to carry out a high-quality and operational inventory of commodity values; to conduct an economic analysis and plan the primary indicators of the pharmacy's work; to ensure control over the rational use of pharmaceutical enterprises.

*Keywords:* accounting support, accounting, management reporting, pharmaceutical enterprise, information support, pharmacy, medicines.

здійснення якісної та оперативної інвентаризації товарно-матеріальних цінностей; проведення економічного аналізу та планування основних показників роботи аптеки; забезпечення контролю за раціональним використанням активів фармацевтичного підприємства.

*Ключові слова:* облікове забезпечення, бухгалтерський облік, управлінська звітність, фармацевтичне підприємство, інформаційне забезпечення, аптека, лікарські засоби.

JEL Classification: L86; M41; M49.

## Introduction

The pharmaceutical industry has been repeatedly identified by the government of the state in the direction of the production of medicines as a priority branch of the economy, because it largely determines the national and defense security of the country, as a result, it acts as a special segment of the market regulated by the state. Pharmaceutical activity includes both the production of medicinal products, as well as their wholesale and retail trade and specialized storage and distribution of such stocks through sales networks: pharmaceutical warehouses and pharmacies.

At the beginning of 2022, the medicines market in hryvnia (UAH) value increased at a pace that many dreamed of +31 % in January and +45 % in February compared to the previous year. Nonetheless, the decline occurred already in March (-11 %); in April, the market shrank by a third, and in May, by 24 %. So far, despite the decline in March-May, the market has returned to the level of 2021 (+0.38 %) based on the results of 5 months of the year [1]. But the tectonic shifts in the economy do not allow hope for preserving positive dynamics. The main factor is the consumer. Therefore, the main goal of the pharmaceutical enterprise is to provide the population with high-quality medicines to meet the current regulatory documentation and consumer needs.

The accounting of pharmaceutical enterprises has several features compared to other accounting types of activity. Consequently, there is a need for a detailed study of accounting and reporting organisations in pharmaceutical activities to fulfil the accounting purpose. There is a need to order management reporting, which will allow optimising the functioning system so as not only to satisfy the population's needs but also to increase the enterprises' profit.

Accounting and reporting are considered in the works of many domestic scientists, such as P.Atamas [2], N.Dziuba [3], L.Kranokutska [4], A.Polinovska [5], D.Kushpita, O.Polishchuk [6-12]. Considering the works of the scientists mentioned above, it is worth noting that the issue of accounting for certain features of the pharmacies' activity, particularly the state "Affordable

Medicines" Program, has not been sufficiently researched and did not have proper development. Thus, particular areas of this problem remain understudied.

Scientists have highlighted the issue of improving the theoretical and methodological aspects of the formation of financial statements of pharmaceutical enterprises. It should be noted that the authors did not pay enough attention to theoretical and practical aspects, improvement of accounting support and methods of forming management reporting at pharmaceutical enterprises. Only in some works were suggestions for improving the methodology of forming their internal reporting.

The aim of the article is to highlight the principles and approaches to the formation of management reporting of a pharmaceutical enterprise, to determine the forms, elements and format of its presentation. The object of the study was the process of accounting support for reporting of pharmaceutical enterprises. The general basis of the research is the dialectical method and a systematic approach to the study of economic and management processes; the methods of induction, deduction, and modeling were used when developing the forms of primary and consolidated documents.

During the research, general scientific and special methods were used, in particular: dialectical method, systematic approach modeling and methods.

### **1. Methodology for the formation of management reporting of pharmaceutical enterprises**

Management reporting is an appendix to the enterprise's financial reporting prepared by medium and large enterprises. This is an example of the document showing financial and non-financial information characterizing the enterprise state and its development prospects.

The financial side of management accounting consists of analyzing indicators and existing risks and forecasting the enterprise's financial indicators. The non-financial side considers the creation of a new product, the search for new sales markets, research and operating prospects for the development of the enterprise.

Management accounting is an internal system of accumulation, grouping and generalizing information within the enterprise. Accounting aimed at making management decisions is formed at each enterprise differently, depending on the activity's specifics and the management's ambitions.

The main activity of the pharmaceutical enterprise is wholesale and retail trade. To ensure its break-even operation, the company designs sales plans, forecasting expected revenues from the sale of products, in our case, medicines. With the help of a sales plan, it is possible to assess how much the plan was fulfilled, consider the factors that prevented it, and motivate employees to increase sales volumes. Information on the set sales plans and the dynamics of their implementation can be seen in the internal report "Report on the implementation plan".

Such internal reporting is compiled monthly by wholesale and distribution managers with the possibility of regularly monitoring the indicators. Moreover, such a plan considers the manager's client base and solvency, giving each manager a personal sales plan. In addition to the Report on the implementation plan, there are some internal reports used by the wholesale department: "Funds receipt schedule", "Wholesale price", "Average amount of invoices", "Bonus", "Delays", "Wholesale rejections", etc.

After the implementation, the question arises in what terms the receivables will be repaid. The enterprise creates a report, "Mutual settlements with clients", to monitor the payment of funds for shipped products.

With the help of the "Funds receipt schedule" report, it is possible to determine the frequency with which the client pays for the shipped products.

In addition, the main report in pharmaceutical enterprises is the "Commodity report", a mandatory form of intra-business reporting.

At the end of the month (quarter, year), based on the summary data of the "Commodity report" and other accounting forms, the enterprise prepares a "Report on financial and economic activity" (from now on "Report") in two copies. It is compiled mainly at enterprises with a clear intra-business and accounting functions division and is not a required reporting form. The first copy of the "Report" and its appendices is transferred to the accounting department, and the second copy remains with the materially responsible person. Before composing the "Report", it is necessary to register all primary documents on the funds and commodity values flow and mutual settlements of the pharmacy with suppliers, buyers, and other counterparties. The relevant document is a series of tables characterizing the cash, goods, and other values flow and the state of mutual settlements with buyers, accountable persons, budget and extra-budgetary funds. The "Report" consists of subdivisions:

- Register of cash flow and collection of trade proceeds;
- Statement of the deposited or transferred revenue;
- Current account;
- Commodity report;
- Balance lists of medicinal plant raw materials;
- Report on the fixed assets flow, low-value inventory and perishable items;
- Registration of retail turnover;
- Report on the goods flow in the retail network;
- Report on the fuel and construction materials flow;
- Register of invoices issued to buyers (medical and prophylactic institutions and other enterprises) for the pharmacy goods sold to them;
- Balance list from the personal accounts of buyers and other settlements;
- Income statement.

Let's consider each of the mentioned divisions in detail.

The Register of cash flow and collection of trade proceeds shows the monthly sums for income and expenditure cash transactions. The balance of funds at the end of the working day must be within the limits set by the bank for each pharmacy.

The Statement of deposited or transferred revenue is filled out according to bank policy and displays the amount of income transferred to the bank by the day of the month.

The Current account part demonstrates the balances and cash flows in the pharmacy's current account. The primary profitable operations include pharmacy revenue; transfers from wholesale buyers; payment of medicines that are dispensed according to free and discounted prescriptions. The following should be indicated as expense operations: payment of utility services, rent of premises, purchase of goods; expenditure of wages, bonuses; transferring of the organization's funds to which the pharmacy is subordinate, budget calculations, extra-budgetary funds, taxation and mandatory payments.

The Commodity report contains information on the goods and other valuables flow (containers, auxiliary materials, fuel, etc.).

The profit part demonstrates all accounting group's balances at the beginning of the reporting period. For goods – retail and wholesale prices, auxiliary materials – at purchase prices (cost price), reusable containers – average accounting, other values – cost price. Based on these primary accounting forms, all receipts of goods and material values are included in the Commodity report in chronological order. In addition, all economic transactions related to the consumption of goods and material values must be displayed here. Data from pharmacies, booths, and points are used to fill in information on the retail sale of goods. The product's wholesale is displayed based on the data of the consolidated registers (preferential and free prescriptions), Balance list from the personal accounts of issued invoices (dispensing of goods to hospitals and other organizations).

Documentary expenses include the disposal of the goods in such circumstances:

- first medical aid (based on the Statement on the medications disposal for the first pre-medical aid);
- conducting economic work in the pharmacy (Act on goods disposal for economic needs);
- markdowns for laboratory and packaging works (Statement on markdown during laboratory and packaging works);
- revaluation of goods in the direction of a decrease in value (Act on revaluation of goods);
- transfer of goods to the supplier for any reason (Invoice);
- damage to goods (Act on the disposal of the goods that have become unusable);
- inventory – natural loss is accrued and disposed of (Act of inventory results);
- the goods transfer to other accounting groups (Act on transfer of the goods).

Data on retail and wholesale goods are entered at retail prices, and documented expenses are at retail and wholesale prices. Expenditure transactions with other values are revealed in accounting prices. Several

methods determine the realized sales charges that form the pharmacy's income and estimate the remaining goods. One is based on the assumption that the level of trade overlays created in the balance of goods and revenue will be maintained in the sold goods.

The Report on the fixed assets flow, low-value inventory and perishable items contain information on the balances at the beginning and end of the month, receipts and expenditures of accounting group data in chronological order.

The Registration of retail turnover is a table in which retail turnover is displayed by type and day: the number and value of dispensed extemporaneous medicinal forms by prescription, the revenue of the small retail network (booths and points), and over-the-counter dispensing. The tariff amount for the production of an extemporaneous recipe is allocated separately.

The Report on the goods flow in the retail network indicates the entire list of pharmacy booths and points and their addresses. For each structural subdivision, the balance of the goods at the beginning of the month, the sums of incoming transactions, revenue, returns and shortages of the goods, and the balance at the end of the reporting period are displayed in retail prices.

The Register of invoices issued to buyers (medical and prophylactic institutions and other enterprises) for the pharmacy goods sold to them contains a description of all invoices in chronological order. It shows the wholesale turnover by type: the amount of the release of extemporaneous drugs, medicines, other goods and containers.

The part of the Balance list from the personal accounts of buyers and other settlements is made up of the personal accounts of wholesale buyers. This table shows the state of receivables (balance in favor of the pharmacy) and accounts payable (balance due to the pharmacy) for the pharmacy as a whole and for each buyer.

The Income statement provides data on all accruals and withholdings from the wages of full-time and part-time pharmacy employees.

The pharmacy manager and the accounting and control group employees sign the report with all the attached documents.

If the pharmacy is subordinate to a higher organisation, the Report and the attached documents are submitted for approval within strictly established deadlines. The report's title page indicates the submission date details. The manager of the pharmacy, the chief accountant, and the executors are responsible for the timeliness of submitting reports and the reliability of the provided information.

If necessary, the persons accepting the Report make appropriate corrections in both copies. One approved copy is returned to the pharmacy. Those not accepted from the pharmacy and returned are marked at the end of the Report. Further responsibility for preserving the report attached documents lies with the organisation to which the pharmacy is subordinate.

## **2. Ways of implementing management reporting at pharmaceutical enterprises**

Efficient reporting by business entities in current market conditions encourages enterprises to use automated systems actively. Various software products for accounting automation are in significant demand. Their development is aimed at universality for effortless adjustment to specific business activities. In addition, specialized systems, which are created only for a particular industry, have also become popular. This ensures its implementation as effectively as possible.

In particular, such programs as LIKIS and the "Apteka" program complex (PC) are price aggregator programs of suppliers for ordering goods and as informational references on medicines.

The LIKIS information and marketing system is designed to meet the needs of users who carry out wholesale and retail trade in medicines. The system collects price lists of manufacturers and wholesale pharmaceutical organizations, processes these orders in a certain way and transmits information to users in a short period.

Using the LIKIS system, you can quickly place an order at the best prices; choose priority suppliers and price types for each of them; work with prices that consider discounts from suppliers; conduct a price analysis of all market participants and reasonably formulate their price offers.

The "Apteka" PC was created to automate the circulation of goods in pharmacies and optimise the main processes of enterprises of the pharmaceutical market retail segment. Notably, it allows: for generating reports on various types of documents, checking expenses, balances, etc.; managing the range of pharmacies and simplifying the search for a medicinal product or active ingredient by using synonyms and hints when entering, which significantly speeds up product search and customer service; forming a sales plan for the assortment and monitoring its implementation; classifying the goods into priority suppliers and price categories; entering into the system information about contracts with various counterparties; analyzing payment schedules, cash register reconciliation, and turnover dynamics.

Pharmaceutical enterprises use Bitrix24 – CRM is a business management and communication system. Thanks to this tool, it is possible to communicate between employees in a corporate chat, record and control working hours, create a common disk with media data, use a convenient calendar with reminders about events in the organisation, measure the employee's stress level, submit regular management reports to the manager, automate business processes, create a company structure with a built-in hierarchy.

Pharmaceutical enterprises use the BAS accounting software in parallel, which has:

- a convenient interface that allows to remove unnecessary objects from the "desktop" and customize the icons of the necessary reports and documents to fit your needs;

- the stability of the program, which is due to the absence of the file reindexing process when the program is closed in an emergency, which significantly saves time;

- the possibility of using new technologies: exchange with mobile applications, API services, etc.

All products from the BAS line are created to solve certain accounting and management tasks, have their own functionality and industry focus. Each software product includes standard functions common to most products, as well as industry-specific capabilities that take into account the specifics of the business.

### Conclusions

With the transition to new economic management forms, increasingly high requirements are placed on reporting. The objectivity, reliability and timeliness of primary financial reporting are essential today because it allows:

- to make the proper management decisions;
- to carry out a high-quality and operational inventory of commodity values;
- to conduct an economic analysis and plan the primary indicators of the pharmacy's work;
- to ensure control over the rational use of the pharmacy's assets.

The costs of maintaining and compiling primary economic reporting must be minimal. For this purpose, it is necessary to unify and standardize the reporting forms in the accounting. Using the latest software products by pharmaceutical enterprises will ensure the optimization of accounting, reporting, and external and internal communication.

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