

Provision for Accounting Risks

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Abstract: Current legislation provides economic entities autonomy in the choice of accounting methods, defining the structure and content of financial statements. Existing differences between the accounting principles and international financial reporting standards and the Russian accounting regulations contribute to the emergence of uncertainty in the application of existing accounting standards. The uncertainty in turn, causes a variety of accounting risks that adversely affect the quality of financial statements and to a large extent affect the financial condition of the insurer. One of the biggest reasons for this is the complexity of the study of economic nature, forward and backward linkages of accounting risks and the consequent apparent underestimation of the phenomenon. The subjects of the research of the researcher were the theoretical and methodological issues of risk research as accounting objects. Purpose-to propose methodology for the accounting and reporting of potential losses associated with the effects of accounting risks. The study substantiates the necessity of the creation of provisions for the elimination of the consequences of accounting risks.

Key words: Uncertainty, risks, accounting risks, autonomy, economic nature

INTRODUCTION

There is no doubt that in the current economic environment, the economic risks should be promptly identify, evaluate and for accounting purposes as the lack of information becomes a potential source of loss and distortion of accounting data on the financial results. Economy Russian multi-criteria inherent risks of varying complexity but their registration on the merits is in the early stage of development, accounting system of accounting risks missing. This situation leads to the violation of tax basis, resulting in an economic entity to significant penalties, direct distortion of the financial statements and even bankruptcy.

At present, almost no developed methods for evaluating accounting risks through redundancy mechanism. Some local methods proposed in the economic conditions of Russia 90's of the last century. Reforming national accounting is practically not touched the issues of accounting risks. It is necessary to review the current practice of ignoring the accounting and reporting actually existing accounting risks that require systemic research.

Directly methodologies of accounting risks have been neglected. It is not enough investigated sources of accounting risk classification system of information and analytical support of their reflection in accounting.

The active tool to maintain an acceptable level of financial stability is self-insurance accounting risks. Self-insurance involves the impairment level of the organization. The values invested in the term "reserve" is very diverse. Initially, the idea of the financial results of the backup depending on periods Flori put forward in 1790. In "Theory of Accounting" Matthews and Perera 1999 considered the reservation as a way of regulating the financial results and talk about the reserve to cover the increase in the value of replacement of assets, the allowance for guarantees and the reserve for doubtful debts.

The scientists Narezhny (2002), creation of a reserve considers as "capitalization of previously capitalized assets in the asset, i.e., the recognition of costs that they would be". Author redundancy concept narrows the border to the capitalization of the asset, therefore, raises the question of reserves for future expenses and liabilities of the balance of payments. Pyatov (2011) said that the

reserves this is a provision for the future. Blatov (1928) believed that the reserves this-study contraries nature, so they can be reflected in the asset and liabilities in the balance; reserves are always talking about the exaggerated estimation of some items on the opposite side of the balance and therefore they correspond to some kind of imaginary, a zero asset if they are kontraktivami, some imaginary, zero liability, if they are kontrpassivami. Under reserves Shedrov and Sevastianova 1998 understand some dummy objects entered in the system to refine the cost of other objects. However, they believe that the objects called reserves are bogus and are used to clarify the value of other objects.

As reserves are considered only some of the objects corresponding to these criteria. Quite the opposite view is held by Sokolov and Terentyeva (2001). He notes that the reservation a consequence of the principle of identification, each provision as it were by hedging future expenses, minimize risk and estimated future expenses inevitable now in this reporting period. The object of reserving believes Sokolov and Terentyeva (2001) can be both monetary and non-monetary values but from the standpoint of common sense-only monetary. Provision for his opinion, it is a certain limit of the rights and responsibilities of a manager and his task, at least in the sense of loss, to keep within this limit. Considering the literature diversity of points of view, attract the attention of scientists' views on the capacious concept of "purpose of provisioning".

German researcher Jorg Bethge in 2000 defines the purpose of the reserves as a reflection of certain duties of organization which is not exactly fitted in size or content of the reporting date. Gilyarovskogo and Melnikova (2003) believe that the practical significance of the reserves associated with the possibility of their use for insurance risk owners and lenders to ensure the stability of the financial condition of economic entities, even the inclusion of redundant assets in the cost of production and sales costs as well as a realistic assessment of the articles of the asset balance. Theory coverage ratio damages the organization adhere not all scientists. Richard believes (1997) that the provisions are not intended to cover losses from specific risks but still, do not deny the importance of their formation, saying that provisions for risks in case of operations with medium and long-term loans can be pre-determined set covering by some types of risk. Scientist Babaev in 2004 study noted that reserves are needed to clarify the assessment of individual items of accounting and finance expenses and payments. The presence of negative situations in the organization is always likely. The damage from the risks in the absence of provisions for its coating may lead to a

sharp deterioration of the financial situation. Incorporation of risk through the system redundancy and presentation in the accounting (financial) statements discloses its principles of "safety" and "reliability" and performs the function of the planned accumulation. In the opinion, the reserves is the planned accumulation of own resources to cover potential risks of adverse effects.

IFRS (IAS) 37 defines provisions as liabilities of uncertain timing or execution of the obligations of uncertain magnitude. Commitment a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. The financial reserves in the national system include: reserves for future expenses (account 96 "Provisions for liabilities"), statutory reserves (account 82 "Reserve Capital"), Valuation reserves (account 14 "Reserves under, depreciation of material assets", 59 "Provisions for impairment losses on financial investments", 63 "Provision for doubtful debts") (Stafievskaya *et al.*, 2015a). It must be recognized that all the evaluating reserves to some extent arbitrary as characterized by the uncertainty of the period of its value. Accounting, financial and economic activities of the organization as it is known, involves the principle of prudence (conservatism) that affects the assessment of balance sheet items and determining the amounts of revenues and expenses. A special place is occupied by specific facts that originated in previous periods but accepted for accounting and included in the financial statements for the reporting period. The essence of the mentioned operations can be assessed in the future, the current reporting period, the full amount of damages can not be determined in the preparation of financial statements. Therefore, assessing the consequences of such in the preparation of financial statements need to comply with some caution which determines the principle of prudence (conservatism) which in the accounting information, goes into the uncertainty factor. The latter is formed in the real world in the form of economic facts and shows the date of the accounting recognition of revenues and expenses in the valuation of assets in dealing with the establishment of valuation allowances (Stafievskaya *et al.*, 2015b). The recorded in the accounts of the accounting amounts of revenues and expenses of the reporting period can be regarded as their assessment, since it is based on available financial information. Taking into account the amounts of revenues and expenses should be adjusted in the initial assessment period. As a result of the impact of the accounting risks of the initial assessment of the financial result is not equal to its actual financial amount. Consequently in accordance with the principle of

prudence (conservatism) the amount of the resulting differences in the formation of the financial statements shall be recognized as expenses. This implies the inevitable formation of reserves for accounting risks for the reimbursement of their possible consequences and maintain sustainable so that the financial condition of the organization.

MATERIALS AND METHODS

Using the methods of empirical knowledge analyzed the views of the scientists on the aspect of the formation of reserves. Using the methods of monitoring the risks identified in the accounting business entities associated with the human factor.

The variants of creation of favorable conditions in the financial issue for employees in the commercial organization, contributing to reduce the risks associated with the human factor. With the comparison of methods and detail the necessity of making adjustments in the existing system of Russian accounting in the creation of reserves.

RESULTS AND DISCUSSION

Russian and international standards do not provide for the establishment of reserves for accounting risks. To eliminate this gap should be supplemented with "Chart of accounts of insurance companies" account 93 "Provisions for the elimination of the accounting consequences of risk" sub-account "Provision for accounting risks. "In accordance with IFRS organization evaluate all of its assets for impairment and whenever there is an indication to immediately create a provision for impairment of the asset (Stafievskaya, 2015). The consequences of the risks of impairment recognized in reserves on accounts 14 "Reserves under depreciation of material assets", 63 "Provisions for doubtful accounts", 59 "Provisions for impairment losses on financial investments". Researchers believe that these reserves should be accounted for in a single account as they have a source of education-profit. Thus to the account 93 "Provisions for the elimination of the effects of the accounting risks" recommended us the opening of sub-accounts:

The 93-1 "Provisions for accounting risks"; 93-2 "Provision for impairment of inventories"; 93-3 "Provision for impairment of investments in securities"; 93-4 "Allowance for doubtful accounts". Provision for accounting risks at the end of the reporting period increased other expenses of the current period by the amount of provisions. Adjusted downward article asset

Table 1: Correspondence of accounts of the account 93 "Provisions for the elimination of the effects of the accounting risks"

Correspondence accounts	Contents of business operations	
	Debit account	Credit account
Accrue dreserve	91.2	93 (On sub-accounts)
Written off the balance (debit) account for 93	91.2	93 (On sub-accounts)
Written off the balance (credit) account for 93	93 (On sub-accounts)	91.1

Table 2: Section "accounting risks" in the notes to the financial statements

Name indicators	Codelines	Period (years)	For the beginning of the year	The change over the period	At the end of the year
Provisions for elimination effects of accounting risks	10000	2014	-	-	-
Total	10000	2014	25000	13000	12000

balance and the net profit for the reporting period are reflected in the balance sheet (Stafievskaya, 2015). Correspondence accounts of the account 93 "Provisions for the elimination of the effects of the accounting risks", recommended by us is given in Table 1.

To study the dynamics of the cash flow reserve is necessary to draw up a report on the use of reserve funds for the elimination of the consequences of accounting risks.

The section "Current liabilities" of the balance sheet is recommended to supplement an article entitled "Provisions for the elimination of the consequences of accounting risks. " This information should be reflected in the table developed by us under "Accounting Risks" of the explanatory note to the financial statements (Table 2).

The reduction of accounting risks in commercial organizations is an important aspect of the accountant to the work as well as accounting methodology. Identified Accounting errors in the internal control process must be eradicated without delay, appoint for the task and the appointment of responsible persons. For delay possible imposition of sanctions. It is necessary to control the amount of accounting work per employee in order to avoid overloads.

Deliberate distortion of accounting is a challenge for any organization, for example, laid-off workers who continue to receive the salary not just paid the same sick leave or sick leave, signed by the same doctor. The solution is seen in the delimitation documents between HR and accounting. List on the payment of wages can be formed in the personnel department and salary affixed directly accountant. Perhaps mistakes accounting workers, i.e., made of deviations from applicable regulations proposed to organize us into three groups

according to the degree of risk exposure, namely: violations do not result in penalties (the first group); violations resulting in penalties (the second group); violations that result in significant penalties (third group).

Accordingly, for all groups assigned a certain number of points for one violation. In this group you can drill into subgroups. From the organization requires the development of the internal situation, whose purpose to provide additional payment (or decrease) depending on the absence or found violations (resulting number of points). Thus, the leader can motivate employees in the results of their work as well as improve the quality of internal audits. A bookkeeper business as well as any individual characteristic is constantly in the solution of their social problems which negatively affects their health. Today, not every employer can afford to pay health workers-a spa treatment at their own expense. "Help" are designed to social security and welfare bodies. Employers have a question arises: how much to allocate funds to the employee and what guided in such procedures. The order of payment vouchers, clearly regulated but sometimes there is a subjective decision problem. The solution is seen in the creation of each enterprise individual savings accounts which should be governed by the relevant internal situation which will determine the distribution of allocated reserve by social security and welfare to pay for trips between the employees of the company. As well as an additional source could be the allocation of the profit employer.

The distribution of funds can be made on a quarterly basis by the employees according to certain criteria: length of service, age, disability, salary, etc. Estimated savings account may take the form of accumulative cards individually for each employee. Accounting information can be reflected on the balance sheet account 76. By this account, you must open a sub-account "Charge for individual savings accounts." Employer recommended practice issuance mashinogramm each employee which will reflect the relevant information.

CONCLUSION

Inclusion in the financial statements of reserved funds will be evidence of a real assessment of the

organization's assets. This will make the financial statements more transparent in order to attract investment.

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