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Methods and tools for improving the control of settlements with buyers and customers

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Annotation. *The article discusses tools for timely tracking and control of receivables. Today, the most important problem, the solution of which should help improve the financial condition of economic entities, is the analysis of receivables, which should be aimed at identifying factors affecting the growth of receivables and determining reserves aimed at eliminating unjustified debts and reducing its growth.*

Keywords: *accounts receivable, financial statement, accounting system, bad debt, customers, credit policy, information technologies.*

In modern conditions of conducting business, control is a guarantee of achieving the goals set for the enterprise, as well as necessary for making rational and operational decisions on the development of the enterprise. In the process of functioning of organizations, such phenomena as distortion of information about the financial condition and the state of settlements, as well as the solvency of the organization, may occur. Therefore, today almost all organizations pay great attention to the system of internal control of settlements, in particular, settlements with customers and customers.

The control of accounts receivable should increase the level of responsibility of counterparties for its repayment and ensure the timely flow of cash flows in the organization. However, sometimes there is a lack of confidence in the full and timely repayment of the debt. This situation leads to deterioration in the financial condition of business entities. Therefore, the control of transactions with receivables deserves special attention, since it provides protection against errors and abuses and plays an important role in ensuring the safety of the company's property.

Modern business conditions force suppliers to adopt more relationships that are flexible with their customers. One of the options for attracting counterparties is deferred payment. In this case, the effectiveness of receivables management can be improved by using factoring. Factoring involves the process of financing the client (enterprise, organization) under the assignment of a monetary claim, administrative management of the client's accounts receivable, and insurance of risks associated with lending to customers.[1]

The factoring scheme is as follows. After delivery of the goods to the debtor, the supplier provides the factor with an invoice and immediately receives a significant part, up to 90% of the delivery amount, in the form of an advance, without waiting for payment from its buyer. The remaining funds for deliveries, minus the factor's commission, are transferred to the supplier's current account as payments for deliveries from the buyer to the factor are received. That is, in this case, the factor acts as a person who advances the commodity credit provided by the supplier to the buyer with the subsequent return of the remaining amount of the delivery.

Such indicators influence determining the cost of factoring as the factor's assessment of the amount of work and related credit risks, and the state of the financial services market. In most countries, the rates range from 0.5% to 5% of the turnover of the client subject to factoring services. [2]

Effective management of accounts receivable is impossible without the use of various methods (Illustration 1). Many authors, assessing the effectiveness of methods of managing accounts receivable, limit themselves to considering the formation of credit policy and debt refinancing through promissory notes. However, at the current stage of the development of market relations, there is a need to apply other, more effective methods of managing accounts receivable.

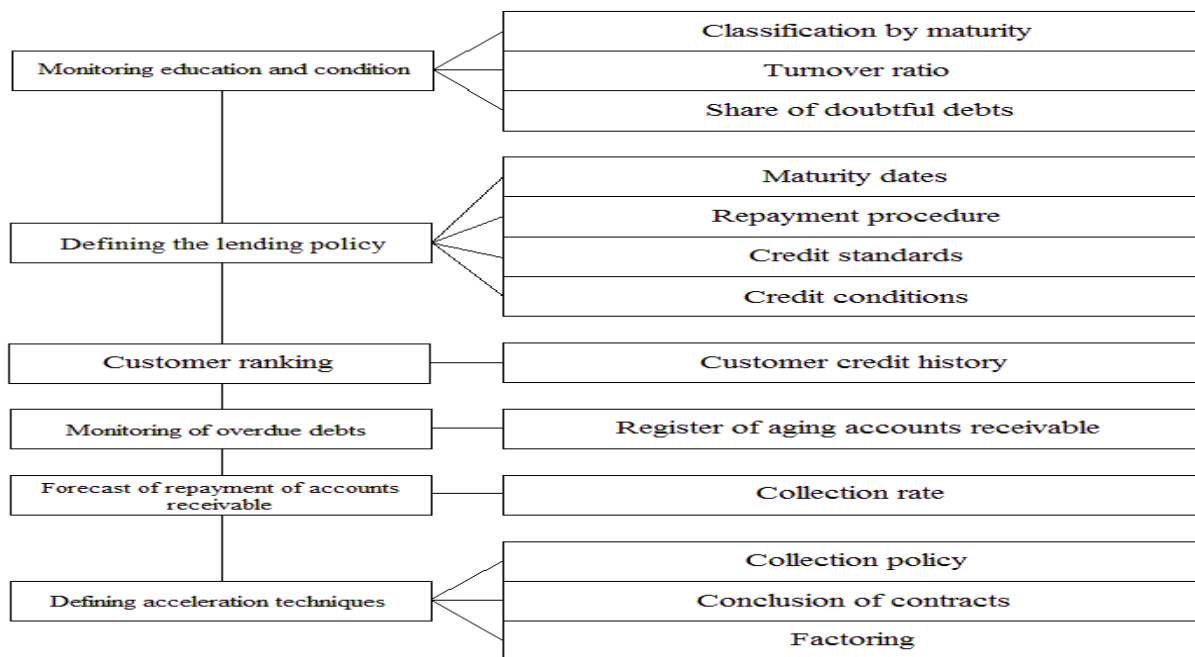


Illustration 1. Managing accounts receivable

Forfeiting is a financial operation to refinance receivables on an export commodity (commercial) loan by transferring (endorsement) a bill of exchange in favor of a factoring company with the payment of a commission fee to the latter. The factoring company undertakes to finance the export operation by paying on the registered bill, which is guaranteed by the provision of the avail of the bank of the importing country.

Clearing is a system of offsets for services provided to each other by two or more parties, as well as delivered goods or securities, based on a non-cash settlement between the parties. Mutual offsetting of obligations and claims is a common practice of conducting both internal and external settlements. Clearing settlements are carried out through special non-bank credit organizations that perform settlement operations: clearing centers and clearing houses. Clearing settlements are carried out in two directions:

- without first depositing the funds of the settlement participants in the clearing organization;
- with the preliminary deposit of the funds of the settlement participants. [3]

Application of information technologies in the management of accounts receivable. When working with a debtor, it is necessary to take into account many factors: contractual obligations, the period of occurrence of the debt, its size, a set of measures already taken, work with claims for previously issued invoices, features of payment processing by the enterprise, additional agreements on installment (deferred) payments, repayment of debt, the specifics of a particular debtor, and much more. Therefore, the absence of software when working with accounts receivable is necessary for organizations. The software makes it possible to calculate the final credit rating of each debtor of the enterprise, by determining the sum of weighted assessments of all risk factors, to determine the credit limit of each debtor, based on the total debt limit for the enterprise, or on the basis of the average monthly receipts of funds from this debtor, and the program also helps to calculate the amount of a discount granted to the debtor for timely payment of goods, or the amount of a fine imposed on him for violation of payment discipline.

The introduction of an automated system for working with counterparties allows you to optimize the work of the department involved in the control of receivables. Accounts receivable can be reduced by 60%, thanks to early notification of the time of payment, as well as the search for debts from counterparties whose delay significantly exceeds the acceptable criteria.

In the modern world of business, information technology is not the last place: almost every process, such as system accounting or production element, is automated. Due to the advent of block chain technology, optimization of business transaction processes became possible and led to the emergence of such a concept as Smart contract. In the future, the SMART contract will be able to combine most of the progressive methods of managing the organization's receivables, including letters of credit. A SMART contract is an electronic protocol written using computer code. Its purpose is to transmit information and ensure the fulfillment of the terms of the contract by both parties. SMART contracts are based on block chain technology. This is a distributed registry, which is a decentralized system that exists thanks to many computers connected to a single

network. The block chain allows users to carry out transactions, transfer information and material value without banks and intermediaries. [4]

Accounts receivable is the amount of debt owed to an enterprise from other legal entities or individuals. Accounts receivable arise from contracts between an organization acting as a creditor and other individuals and legal entities acting as debtors. By virtue of these agreements, debtors undertake to perform a certain action in favor of the creditor organization, such as: transfer property, perform work, and pay money. Accounts receivable in monetary terms are an integral part of the current assets of the organization.

Currently, the implementation of the internal audit system (IAS) in companies is relevant. At the same time, different authors define the functional place of the IAS in the corporate governance system and the corresponding composition of functions in different ways: from the tasks of "increasing the value of the company" to "consulting and conducting special investigations".

The main principle of the audit is to check the compliance of the «real activity» of the organization and the approved, formally fixed principles, standards, rules, regulations. This principle is most evident in the audit of financial statements, when the financial statements for the year are checked for compliance with accounting and financial reporting standards, the legal purity and qualification of transactions are checked. In the case of an audit of the quality of management decisions, we believe that a similar set of standards should be defined in accordance with which management decisions are made.

Kazakhstan's focus on international standards makes it necessary to study and, consequently, adopt positive international practices. The geographical proximity of continents and countries, close economic ties, and the active participation of foreign companies in Kazakhstan's investment activities make it necessary to take a fresh look at the accounting system as a whole. Accounting practices differ from country to country, but they share common origins and a common philosophy, and this confirms the need to study the key features and new areas of accounting and auditing in order to introduce positive experience into the accounting practice of Kazakhstan. The global experience of applying IFRS and ISAs from the perspective of international research will allow accountants, auditors and other categories of employees to correctly assess a particular operation of a modern business and, accordingly, make an optimal and effective decision. In this direction, the authorized body continues to study the experience of various countries, it is planned to hold a number of international conferences, round tables, seminars with the participation of international experts. [5]

The recognition of customer's receivables, their valuation and collection in different countries have their own characteristics. As for the classification of receivables, in foreign countries in the balance sheet there are only general rules of recommendation, but not of a directive nature.

An important role in accounting practice is the display of doubtful accounts receivable and the creation of provisions for bad debts. In the United States, companies can transfer their accounts receivable to a third party when writing off accounts receivable, thus liquidating them and receiving a certain amount of money.

Debts are recorded as the company's income, although not all of them are paid on time, there are bad debts. Therefore, companies use the methods of adjustments and direct write-offs to deduct such debts from income.

Under the amendment method, bad debts are treated as part of the operating expenses of the period in which they arise. First, the total amount of bad debt is determined, for which an adjustment record is made at the end of the reporting period. This is done using the following accounts: "Bad debt expenses" and "Bad Debt adjustment". In this case, the account "Expenses for bad debts" is debited and the account "Adjustment for bad debts" is credited.

The Bad Debt Adjustment account is a contractual account to accounts receivable accounts. It allows you to show, without crediting accounts receivable accounts, that part of the debt may not be received. Bad debt is not immediately debited from the accounts of debtors, as its exact amount is not yet known.

At the end of the reporting period, the results of the "Bad Debt Expenses" account are transferred to the "Profit and Loss" account when the accounts are closed. The balances of the "Bad Debt adjustment" account are reflected in the company's balance sheet. If the debt of a customer is finally recognized as non-reliable, then its amount is debited from the credit of the account for accounting for receivables to the debit of the account "Adjustment for bad debts".

To avoid the appearance of bad debts, buyers often use credit cards. Companies that supply products pay the bank interest for 2 to 8 percent of the proceeds to the credit institution. Banks issue credit cards, and businesses that agree to accept them automatically assume obligations to pay the cost of services provided by banks.

The disclosure of accounts receivable in the financial statements is of great importance abroad, especially in Europe. In most cases, it is displayed in the following groups: accounts receivable; promissory

notes receivable; accounts receivable that are not related to sales. In the balance sheet, settlements with debtors are shown at the lowest cost: the initial cost or the cost at the balance sheet date of the indicator.

World experience shows that most often the main buyers of insolvent enterprises are strategic investors, which are both companies that produce similar or similar types of commercial products, and those working in other areas of production, with a stable financial condition. In the first case, the acquired enterprises are fully integrated into the system of production and technological relations of the buyer company. In the second case, the activity of the buyer's firm is diversified, at the expense of its own funds; the solvency of the acquired enterprises is restored. All this somehow contributes to the implementation of the structural adjustment of the economy by market methods.

It is characteristic of the foreign practice of regulating the resulting receivables that firms often use the classification of debts by the time of occurrence and the indicator of the turnover of receivables in days - DRS- to control receivables and prevent the occurrence of bad debts. The disadvantage of this approach is that these tools do not allow you to accurately track changes in the quality of the total amount of debt. The best way to control accounts receivable is to evaluate and analyze them from the perspective of payment discipline, the main tool of this approach is the statement of outstanding balances.[6]

The decision on the order of placement of different types of receivables in the balance sheet and the degree of detail of these items is made by the company itself, and, therefore, the composition and structure of receivables in the balance sheet will be different for different companies, unlike the Ukrainian balance sheet, which strictly regulates the form of providing this article. Comparative characteristics of accounting for accounts receivable in foreign countries are presented in Table 1.

Table 1 - Comparative characteristics of accounts receivable accounting in foreign countries

№	Disclosure in the financial statements - Accounts receivable	
1	2	3
1	Ukraine	Accounts receivable are shown in the balance sheet at cost less the allowance for doubtful debts. The amount of the reserve is determined based on the solvency of individual debtors or based on the classification of receivables.
2	Poland	Short-term accounts receivable cover all accounts receivable for deliveries and services, all or part of other debt that is not credited to financial assets, but requires repayment within 12 months from the balance sheet date.
3	Russia	Accounts receivable are shown in the balance sheet in the following items: a) accounts receivable (payments on which are expected more than 12 months after the reporting date), including buyers and customers, promissory notes receivable, debts of subsidiaries and affiliates, advances issued, debts of participants (founders) on contributions to the authorized capital, other debtors; b) accounts receivable (payments on which are expected within 12 months after the reporting date), including: buyers and customers, promissory notes receivable, debt of subsidiaries and affiliates, debt of participants (founders) on contributions to the authorized capital, advances issued, other debtors.
4	Estonia	According to the Accounting Law and the Instructions on the Contents of the balance Sheet Items of the accounting annual report accounts receivable are presented in three articles: a) invoices not paid by buyers, b) bills of exchange of buyers, c) doubtful invoices (with a minus sign). Amounts not received from buyers, the receipt of which is doubtful, are reflected in the expenses in accordance with section 2 of Article 24 of the Accounting Act.
5	Republic of Belarus	Accounts receivable are shown in the balance sheet in the following items: a) accounts receivable (payments for which are expected more than 12 months after the reporting date), including buyers and customers, promissory notes receivable, debts of subsidiaries and affiliates, advances issued, debts of participants (founders) on contributions to the authorized capital, other debtors; b) accounts receivable (payments for which are expected within 12 months after the reporting date), including buyers and customers, promissory notes receivable, debt of subsidiaries and affiliates, debt of participants (founders) on contributions to the authorized capital, advances issued, other debtors.
6	Germany	Approach to foreign currency receivables deserves special attention. In the balance sheet, settlements with debtors are usually shown at the lowest indicators of the original cost and the cost at the exchange rate at the balance sheet date. In contrast to settlements with debtors, the opposite rule is used in settlements with creditors. Thus, losses from currency fluctuations are recognized, but profits are not. According to the latest changes in the legislation, accounts receivable can be displayed in the balance sheet at the exchange rate at the date of compilation, but it is necessary to disclose the accounting methods used in the explanatory note.
7	IFRS	Accounts receivable are "insured" by creating deductions for bad debts, based on the experience of previous years.
Note - compiled by the author based on data		

Foreign theory and practice in the field of receivables management offers mechanisms for implementing a credit policy that contains optimal standards of creditworthiness for each individual

enterprise, taking into account its external and internal factors. There are no uniform models and approaches for the impact of enterprises on accounts receivable. The global practice of financial management of accounts receivable is significantly differentiated depending on the features and development of the national economy and the development of financial law.

Thus, having studied the international experience in the field of accounting for settlements with customers, we can conclude that each country has an independent and well-established accounting system. Each system has its own advantages and disadvantages, similarities and differences. The experience of foreign countries has served to develop not only the accounting of settlements with customers, but also the entire accounting in general on the territory of the Republic of Kazakhstan.

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