

Management report: essence, structure, and place in the financial reporting system of a business entity

Ozeran A.V.

Doctor of Economic Sciences,
Professor at Accounting and Taxation Department
Kyiv National Economic University named after Vadym Hetman

A management report is a new form of financial reporting of enterprises in Ukraine. The need for implementation of this report is caused by the implementation of the EU accounting legislation, in particular, the Directive 2013/34/EC on annual financial statements, consolidated financial statements and related reports of certain types of enterprises, as of June 26, 2013, in the national regulatory framework. The article examines the essence, principles of composition, and structure of the Management Report.

The emphasis is made on the fact that in Ukraine, several terms (financial reporting, financial report, and financial statements), which in international practice characterize different phenomena and processes, are translated in one phrase. Based on the provisions of international standards and justifying the differences between them, it is proposed to delineate the categories: "financial reporting" as a process of disclosure of an entity, "financial report" as a result of financial reporting, and "financial statements" as a set of reporting forms. It turns out that the Management Report is within the financial report of the enterprise and its main purpose is to provide

an understanding of the articles contained in the accompanying financial statements and an explanation of the circumstances and factors that have affected or may affect the status, performance, and development of the enterprise. Therefore, the Management Report is a document that contains financial but not provided for by the accounting and financial reporting standards, and not financial indicators, as well as descriptive explanations of the entity's activities.

The principles on which the Management Report is based are considered and explained: "as viewed by management", "combination with financial statements", "orientation to the future". Based on an analysis of the requirements of the Directives 2013/34/EC and 2014/95/EC and the Practice Statement "Management Commentary", an indicative list of issues to be disclosed in the Management Report is proposed. Proposals on the content of the environmental statement and staff and the corporate governance report are presented.

We believe that the proposals put forward in the paper will be useful for the creation of a domestic regulatory framework of accounting.