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## **IFRS FINANCIAL STATEMENTS OF FACTORING COMPANIES: METHODS OF PRESENTATION**

In modern dynamic market conditions for making reasonable economic decisions the reliable information that transparently highlights the financial position and results of the company are of urgent need. That's why financial statements prepared according to International Financial Reporting Standards (hereinafter - IFRS) acquire more and more importance in the system of information management of economic processes at different levels (macro, meso and micro)

By regulators' decision, factoring companies have started to draw up the financial statements under IFRS in Ukraine since 2013 [1, 2]. Nevertheless, it has not been investigated still how statements prepared by these companies on a new basis, considering the requirements of current legislation, satisfies their users' information needs and reveals the peculiarities of factoring companies. This fact determined the significance of the highlighted topic.

Analysis of Ukrainian legal background in factoring field and domestic scientists' points of view [10-13] created possibility to reveal a significant number of contradictions and lack of a synonymous interpretation of the essence of factoring concept. In our opinion, factoring is a financial transaction that: relates three parties (the factor, the client and his debtor), between which it is a contract that is about provider's (the client) selling to factor (bank or non-bank financial institution) its cash claim for receivables (with or without recourse to him for credit losses, i.e., financial inability to pay), and receiving payments.

Such definition the most accurately reflects the content of this integrated service simultaneously it is considered the possibility of its providing by different financial institutions with different levels of risk (according to the essence of contract), and the various types of receivables, moreover bought receivables become factoring company's financial instrument.

Decision-making about factoring companies' services usage should be based on their financial statements, so their quality should be under special attention.

The research of Ukrainian factoring companies' financial statements since 2014 [12] are prepared under IFRS made it possible to identify certain peculiarities and imperfections that made it impossible to use all the advantages of such reporting. In particular, there is a necessity of drawing up standard forms of financial statements appointed by regulator [3, 4], interim financial statements forms limiting [6], using the typical chart of accounts of assets, capital, liabilities and business operations of enterprises and organizations.

Critical analysis of 30 Ukrainian factoring companies' financial statements identified the following shortcomings in terms of their users:

- prompting a large number of articles with no information;

- inability to evaluate the result of companies' main activities (the typical name of articles which does not allow to understand their nature or define order of indicators formation that does not include the features of a particular entity);
- no references in the financial statements to the related notes;
- Notes' low quality, actually failing to comply with the relevant IFRS requirements.

Analysis of the reporting forms published by factoring companies [12] showed that Balance Sheet, Income statement and Cash Flow statement information suffer the deformation most of all. Their content does not meet the applicable IAS [4-8] and IFRS [9].

The core business for factoring companies is providing of factoring services. However, in the Income Statement there is no information under such items as 'Revenue' and 'Cost of sales', while income and expenses of factoring services are incorporated into other operating activity. Thus, the principle of incomes and expenses matching is outraged and financial reports' users are disoriented. The analysis of domestic factoring companies' financial statements showed that in the Income Statement income and expenses on factoring transactions are represented in different ways: as a part of core activity (13% of analysed financial statements), revenue as a part of main activity and operating expenses as a part of other operating activity (63%) or as a part of other operating activities (23%). Therefore, such important characteristic of financial statements of different domestic companies provide similar services as comparability is disturbed.

In our opinion, the reporting forms should be allowed presenting the income and expenses received or incurred directly from factoring operations implementation as a part of main activity. For further information, factoring company should separate its incomes and expenses in terms of interest bearing and commission. These changes allow us to estimate the profitability of factoring transactions.

Overall, the benefits of the proposed us forms of financial statements are the following:

- a higher level of compliance with IFRS;
- representation of financial statements' elements for factoring operations such as arising from core activity instead of other operating activity that is observed nowadays;
- full disclosure of the factoring companies' specifics;
- more insubstantial perception by people who are not sufficiently competent in matters of accounting and financial reporting, but have a direct or indirect interest in the factoring companies' results;
- providing not only an analysis of companies' financial condition and results, but also analysis of individual values of factoring operations directly.

New items of financial statements formation require corresponding changes in the working chart of accounts and in the accounting policies of factoring companies. Using of typical chart of accounts makes it unavailable to disclose factoring operations. Therefore, we consider it appropriate to introduce new sub-accounts 'Income from factoring services' and 'Cost of factoring services.' Further analytical

accounting accounts should include interest and commission incomes and expenses. Also for analysis, considering both internal and external users, the proposed accounts can be practiced depending on the type of counterparty with further disclosure in the notes.

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