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STATEMENT OF STOCKHOLDERS' EQUITY IN THE SYSTEM OF FINANCIAL REPORTING OF THE REPUBLIC OF MOLDOVA: PRESENT STATE AND PROSPECTS FOR MODERNIZATION

According to modern accounting methodology, the purpose of financial reporting is the presentation of useful information to a wide range of users, first and foremost, to owners (shareholders and investors) who are interested in information about changing the equity capital (the received profit and its distribution). In order to make such decisions such as increasing the efficiency of using equity capital, attracting new investors, forecasting the growth of the organization's capital as a whole, which is important, for both owners and the management of the organization, the information field of the balance sheet and the profit and loss statement are not enough. Therefore, in order to eliminate this shortcoming, in terms reliable of information on equity capital and its changes in the composition of financial statements, the form „Statement of Stockholders' Equity» is provided.

The system of financial statement of separate jurisdiction, its components, forms of financial statement and their content depends on several factors: accepted accounting model, the level of economic development, and the ratio of small and large businesses in business environment. It is important to highlight that the peculiarity of the national accounting and reporting system of the Republic of Moldova is its directness. The author's point of view is based on the information on prescriptive (legal) approach for preparing the financial statement, which is not enough for making economic decisions. Such decisions are increasing the efficiency of using equity capital, attracting new investors, forecasting the growth of the organization's capital as a whole, which is important for owners. In context with an innovative vector of development of the society, when the basis for the preparation of financial statements according of an economic approach, the purpose of Statement of Stockholders' Equity become to bear a socio-economic nature.

As result, the author of the study concludes that Statement of Stockholders' Equity as form of financial statement of the Republic of Moldova does not meet such a requirement of modern accounting methodology – presentation of reliable information and the interests of users of information on the state of equity capital entities.

The author in more detail described the format of the Statement of Stockholders' Equity (hereinafter referred to as the Statement Changes in Equity Capital – SCEC) adopted in Moldova and clearly identified its features that a hypothesis is confirmed. As is already known, the peculiarity of the national accounting and reporting system of the RM is its directness, which reduces the reliability of the financial statement, but in context of an innovative economy of SCEC in particular. This is *the first feature* of this report.

As defined in the National Accounting Standard „Equity capital and liabilities», the SCEC is intended to disclose the reasons that affected each balance sheet item in the „Equity capital» section, since in the balance sheet these articles contain data only for two items: the balance at the beginning and end of the period.

However, the analysis of the contents of this report allows us to conclude that there are no factors (causes) for changes in it, and the result of these factors is already presented as a specific item of each element of equity capital, for example, the social capital takes the form of unpaid, in certain circumstances, or unregistered, or withdrawn capital. The same approach is maintained for other elements of equity capital, which, in the author's opinion, leads to a violation of such qualitative characteristics as clarity and reliability. This is *the second feature* of this report.

The third feature of the SCEC being studied is that its vertical format is, in fact, a developed balance format, and despite the simplicity of information presentation, it reduces its qualitative purpose. At first glance, the reflection of capital elements in the reporting does not cause practical problems. However, if you take into account that the changes in capital are largely associated with operations with financial instruments, the compiler organization will have the problem of reliable reporting due to the lack of proven algorithms for preparing information in the accounting and reporting system for this type of operations. This is the next feature of the SCEC due to the problems of accounting methodology in the RM.

Taking into account the above, the author concludes that the SCEC is characterized by simplicity of content and a simplified format of presentation, and as a consequence, initially focused on the needs of the organizations to the small business sector (the exception is the innovative segment). One of the arguments for this judgment is also the highlighted features of this report.

However, the question arises if the SCEC for most organizations of the small business sector is not necessary for presentation accordance legislative framework of the RM, for medium-sized organizations, the simplified format reduces the level of completeness of information, for business structures does not meet the interests of users of information on the state of equity capital, then for what organization is it intended?

The answer to this question is methodological in nature, because it lies in the plane of understanding the modern concept of capital and establishing the optimal ratio of the necessary and permissible amount of information for organizations operating in the era of innovative development of society.

In the regards, the author consider that the application of the legal provisions of system accounting RM creates confusion regarding its application in practice. In this context the author highlights perspectives of researches:(1) should be reformed the legislative framework of accounting system RM in accordance with the principles to modern accounting methodology; (2) should be formed integral conceptual space in terms of determining the structure of financial statements, including SCEC, and generating reliable information in the accounting, (3) should be improved the quality of accounting information, accumulation of human capital and social capital in the context of transition to an innovative development of the Republic of Moldova.