

Thus, a business entity, based on fulfillment or non-fulfillment of certain points of the collective agreement and the presented model, will be able to determine the level of its social development.

Conclusion

The company's presentation of its social level to a wide range of information users allows it to have a significant advantage over other enterprises since this ensures the interest of potential employees, for whom the social side of the company's activities plays an important role in employment. For investors, the social responsibility of an enterprise is a direct proof of its successful work, which in turn affects both the investment demand for one business unit and the economy of the state as a whole. For financial and credit institutions, the information provided on the social level helps to reveal the solvency and reliability of the borrower.

The proposed methodology for assessing the level of social development of the enterprise assumes full compliance with the employer's obligations to the employees according to the collective agreement, which in turn provides the company with a reduction in the tax burden. Based on conducted research, a social passport has been developed, which is proposed for use at enterprises and organizations of various ownership. Based on the formalization of the social responsibility procedure, a methodology for calculating the rating assessment of an enterprise is proposed and a graphical model for determining the level of social development of an enterprise is provided.

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ISSUES OF ASSESSING THE GOING CONCERN WHEN INVESTING IN ACTIVE ENTITY

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Abstract

In the context of a rapidly changing external and internal economic environment, the issues of assessing the continuity of the activities of organizations acquire particular relevance. The responsibility for assessing the going concern rests with the auditors who audit the annual financial statements. This issue is also relevant for investors, since it makes no sense to invest in a business that will soon cease to exist.

International financial reporting standards and the legislation of the Republic of Belarus provide for the application of the following approaches for assessing continuity: standard approach; an approach based on the principle of economic cyclicality; approach based on the concept of financial sustainability; approach based on the concept of solvency; risk-based approach; scenario approach.

The article analyzes the main approaches to assessing the continuity of an organization's activities and gives a characteristic to each of them. Recommendations for improving the methods of assessing business continuity are given.

Keywords: going concern, uncertainty, the concept of solvency, financial stability.

Introduction. Accounting, according to the requirements of IFRS and the National Accounting Standards of the Republic of Belarus is based on one of the main principles of accounting – the going concern principle [1, paragraph 1 of Article 3].

The going concern principle is that information about assets, liabilities, equity, income, company expenditures is formed in accounting and reporting depending on the entity's intention to continue or terminate its activities in the future [1, paragraph 2 of Article 3].

Considering the business continuity drawing accounting (financial) statements, it is assumed that the entity will continue as a going concern for at least one year following the reporting period. At the same time, it has no intentions and no need to liquidate or significantly reduce its economic activities and, accordingly, its obligations will be fulfilled in due manner [2, paragraph 4].

The main approaches to assessing the going concern.

The legislation of the Republic of Belarus presents conditional facts which, individually or collectively, should cast an auditor's doubt upon the entity's ability to continue as a going concern. They are considered in three groups.

Table 1 – Types of conditional facts that cast doubt upon the entity’s ability to continue as a going concern [2, paragraph 8].

Groups of facts	Types of facts by groups
Financial conditional facts:	<ul style="list-style-type: none"> – negative value of net assets or non-compliance with statutory requirements for net assets; – borrowed funds, whose repayment period is maturing but there is no possibility of their return; – unjustified use of short-term borrowed funds to finance long-term assets; – a significant increase in outstanding receivables and (or) payables and the inability to repay it (them) in due time; – unfavorable values of the main financial ratios; – significant losses from main business; – arrears or termination of dividends payout; – inability to secure financing for the development of activities or to obtain other necessary investments; – significant dependence on the successful implementation of a specific project; – economically irrational long-term obligations.
Production conditional facts	<ul style="list-style-type: none"> – loss of key managerial staff without hiring an adequate replacement; – loss of the most critical sales markets, franchise, special permit (license) of the main supplier or contractor; – problems with human resources; – important production input deficiency.
Other conditional facts:	<ul style="list-style-type: none"> – non-compliance with legal requirements; – claims considered in court against an enterprise, decisions on which are not in its favor cannot be executed; – changes in legislation that may have a negative impact on financial and economic activities.

Assessing the going concern requires to take into account that the proposed list is not complete and that the presence of one or several conditional facts mentioned does not always indicate significant uncertainty regarding the entity's going concern.

At the moment, there are several theoretical approaches to assessing the going concern:

1. Standard approach (based on time format).

The approach is based on the interpretation provided in paragraphs 25-26 of IFRS (IAS) 1, stating that in assessing of an entity's ability to continue as a going concern, management should take into account all available information about the entity for the foreseeable future, which should cover at least twelve months after the end of the reporting period, but is not limited to this period [3, paragraphs 25-26].

The depth of the analysis depends on the specific facts in each individual case. If an entity has been demonstrating profitable activity for many years, has free access to financial resources, the conclusion that a doubt upon the entity's ability to continue as a going concern is correct, can be made without conducting a detailed analysis.

In other circumstances, management may need to analyze a wide range of factors related to current and future profitability, debt repayment schedules and potential sources of refinancing before it is possible to be convinced of doubts upon the entity's ability to continue as a going concern [3, paragraph 26].

2. Approach based on economic cyclicality principle.

The dual nature of this approach is based on defining the stage of the entity's life cycle the entity's going concern cycles.

The life cycle and an entity's life cycle (which is not the same thing) are evolutionarily limited. At the same time, the life of an entity is limited. Recession stage reveals an evolutionary crisis of solvency which poses a threat to going concern. Evaluating it in this case requires considering the business tactics by the entity's management which will eventually slow down or accelerate the end of the entity's life cycle.

A major part of studies referring to the entity's insolvency consider the state of the crisis on the phase of bankruptcy. Bankruptcy is characterized by insolvency having or acquiring resiliency [4, Article 1].

In this case, special attention should be paid to the identified evolutionary insolvency, which signals the impending bankruptcy (life cycle closure) of an entity.

3. Approach based on solvency concept.

This position is that going concern means: from the moment of being registered as a legal entity, the enterprise has the ability and intentions to continue as a going concern until all its obligations are fulfilled and all assets are realized [5].

This approach correlates with the concept of the entity's general solvency. For instance, A.D. Sheremet, R.S. Saifulin and E.V. Negashev considered the entity's general solvency as the ability to cover all its obligations (short-term and long-term) with all its assets [6]. This method is based on using solvency ratios for going concern assessment. These ratios are calculated based on financial statements bearing a retrospective character and cannot fully be the basis for going concern prediction.

4. Approach based on the concept of the entity's financial resilience.

This position is adopted, for example, by S.V. Kozmenkova, V.D. Krasnov [7]: "Going concern assumes the existence of a single economic entity in the foreseeable future with indicators not lower than the last reporting period or sufficient for self-financing and timely fulfillment of the obligations assumed".

To analyze the applicability of the continuity principle, experts propose to group the entity's assets as of a certain reporting date, starting with the most liquid assets, and liabilities – according to the order of repayment. At the same time, importance is given to the assessment of assets and liabilities: it is advisable to present them in the assessment of the actual value of assets and repayment of liabilities.

Financial stability is determined based on the ratio of different types of sources of financing and its compliance with the assets composition. Financial stability indicators are also calculated based on following financial statements for previous periods, which reduces the quality of assessing the going concern.

5. Risk-based approach.

Another basic options for choosing a methodology for assessing the going concern may be a risk-based approach.

It is based on the formulating the criteria for assessing risks of the going concern termination. Each criterion is assigned a score according to the developed scale. By summing up the scores for all evaluation criteria, a general indicator of the degree of risk is determined, which is compared with the standard.

Thus, assessing the going concern can be reduced to assessing external and internal risks, including those of financial instability, insolvency or bankruptcy.

6. Scenario-based approach.

Another possible option for considering the going concern can be a scenario-based approach, i.e. identification of different versions of the future development of the entity's financial and economic activities for a certain period with the variability of events and facts of economic activity at the reporting date.

Today's vision of the uncertainty of the future is the ability to foresee possible future options and choose between alternative solutions based on the analysis of cause-and-effect relationships between, for example, basic, pessimistic and optimistic scenarios.

Forecasts and scenarios are a probabilistic description of a possible and (or) desirable variant of the development of the phenomena and processes under consideration in the company's activities. The most well-known classification of forecasts according to the problem-target criterion includes search (research, survey, trend, etc.) and normative (program, target) types.

The traditional main tools for assessing the going concern are expert judgments and analytical procedures, including forecasting as one of the scientific ways to anticipate future events of economic life (Table 2) [6].

The accuracy of assessing the going concern is also influenced by external factors, which are often unpredictable. For example, the COVID-19 pandemic that emerged in 2020, has had and continues to have, an unprecedented impact on the global economy, which exceeds the impact of all recessions of the last two decades. For this reason, a large number of enterprises ceased to exist, unable to cope with the new conditions. At the same time, the business qualities of the company's managers cannot be ignored, since any changes in the external environment also bring new opportunities.

Table 2 - Comparative characteristics of theoretical approaches to the choice of methodology for assessing the going concern [6].

Approach to the choice of assessment methodology	Criteria	Assessment methodology	Tools
Standard approach	Time format	Time-based forecast	Dynamic modeling. Expert assessments
Approach based on economic cyclicality principle	The life cycle. Economic cycle	Cycle completion forecast	Expert assessments. Methods of statistics. Benchmarking. Methods of economic and mathematical modeling. Methods of financial analysis. Methods of cycle duration analysis
Approach based on solvency concept	Prospective solvency	Assessing the sufficiency of liquid assets to cover the entity's obligations	Methods of financial analysis. Methods of assessing insolvency and bankruptcy risks
Approach based on financial stability concept	Financial stability	Assessment of the state of the entity's financial resources, their allocation and use, which ensures the entity's development based on profit and capital growth while maintaining solvency and creditworthiness in conditions of an acceptable risk level	Methods of financial analysis. Methods of complex economic analysis. Methods of assessing the risks of financial instability. CVP analysis [3]
Risk-based approach	Risks of financial and economic activity	Assessing the probability of undesirable event in the process of financial and economic activity	Statistical, expert, computational and analytical methods
Scenario-based approach.	Development scenarios	Forecast scenario	Foresight. Expert assessments. Continuous scenarios. Predictive games. Methods of decision theory. Benchmarking

Conclusion

Analysis of the going concern assessment methods has shown that none of them can provide with precise result. Most of the methods considered use financial reporting data that are retrospective in nature and do not fully allow making a sufficiently accurate forecast. In this regard, we consider it appropriate to use derivative balance sheets (hedged, immunization, strategic, derivative balance sheets of integrated risk) to assess the going concern, which can provide more accurate information about the entity. The regulatory and legislative framework for the use of derivative balance sheets in the Republic of Belarus also requires significant improvement.

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