



## **Disclosure of Assets of the Agricultural Enterprises in the Financial Reporting under International Financial Reporting Standards**

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### **ABSTRACT**

The subject of the research is the set of theoretical and practical approaches to the recognition of assets of the agricultural enterprises of the Omsk region in the accounting under International Financial Reporting Standards (IFRS). The research objective is the development of an optimal testing model of assets of the agricultural enterprises for compliance with IFRS. The study was conducted on the basis of financial statements prepared under the Russian Financial Reporting Standards. The three asset items with the largest share were allocated in the statements: Fixed assets, inventories and accounts receivable. The most essential items were allocated as part of fixed assets: machinery and equipment and agricultural products respectively. Accounts receivable were tested for compliance with IFRS. The calculation of market price taking into account the correction factor in question considering the technical condition of vehicles was performed upon testing of machinery and equipment. The calculation of net realizable value based on market prices for the products was performed upon testing of machinery and equipment. The market-value appraisal of the receivable by discounted cash flows was performed upon testing. The proposed testing method has a practical value. It can be used in the preparation of financial statements under IFRS, on the basis of financial statements prepared in accordance with the Russian Financial Reporting Standards. It has been established that the machinery and equipment and agricultural products are reflected in the financial statements in accordance with IFRS. Because of overdue accounts the accounts receivable are substantially overstated.

**Keywords:** International Financial Reporting Standards, Agricultural Enterprises, Accounting Statements

**JEL Classifications:** M41, O18

## **1. INTRODUCTION**

A gradual transition to International Accounting Standards and International Financial Reporting Standards (hereinafter - IFRS) is one of the distinguished processes of full integration of Russian economic entities into the world economic area. At the national level, this commitment is reflected in the Accounting Reform Program in accordance with IFRS as approved by RF Government

Decree dated March 06, 1998 No. 283. The aim of this program was to bring the national accounting system in line with the requirements of the market economy and IFRS (RF Government Regulation "On approval of the Accounting Reform Programme in accordance with the International Accounting Standards").

Later, the process of implementation of IFRS in domestic practice was held in parallel with the stages of Russia's entry into the WTO.

The Federal Law “On Consolidated Financial Statements” dated July 27, 2010, No. 208-FZ became one of the first documents authorizing the effect of IFRS in the Russian Federation (RF). According to the normative legal act the obligation to form the consolidated financial statements, which, in turn, shall be made in accordance with IFRS (Federal Law “On Consolidated Financial statements”), was placed on credit institutions, insurance companies, as well as organizations whose securities are admitted to organized trading, by inclusion thereof in the quotation list.

A year before the final accession of Russia to the WTO, the “Regulations on recognition of IFRS and IFRS explanations for their use in the territory of the RF” (hereinafter - the Regulations on IFRS recognition) were approved in the domestic legislation by the RF Government Decree dated February 25, 2011, No. 107. This document regulated the process of IFRS recognition in Russian territory. In accordance with para. 3 of the provisions on IFRS recognition, the recognition of international standards refers to the process of decision-making on the introduction of each such standard in effect in the territory of the RF. The process implies the consistent implementation of the following actions:

- a. An official receipt of the International Standard from the Foundation;
- b. Examination of the applicability of International Standard in the RF;
- c. Taking a decision on enactment of International Standard in the Territory of the RF;
- d. Publication of international standard (RF Government Regulation “On the approval of the International Accounting Standards and Interpretations of the International Accounting Standards for use in the RF”).

Thus, the document clearly defined steps that the international standards shall pass for their recognition in the territory of the RF.

The process of IFRS enactment in Russia continued, and the result of legislative work was the Order of the RF Ministry of Finance “On enactment of the IFRSs and interpretations of IFRSs in the RF” dated November 25, 2011 No. 160n (hereinafter - the Order of IFRS enactment) (Order of the Ministry of Finance of the RF “Enactment of the International Accounting Standards and Interpretations of the International Accounting Standards for use in the RF”). By this order 29 IFRS and interpretations thereto were enacted, and the term of entry into force of these standards and becoming binding on the application was defined. In accordance with para. 2 of the Order of IFRS enactment the standards named therein shall enter into force on the territory of the RF from the date of their official publication in the “Accounting” journal, which by the Order of the RF Ministry of Finance dated November 22, 2011 No. 156n (International Accounting Standard 1 “Presentation of Financial Statements”) was defined as the official print media for the publication of IFRS.

Thus, at the moment, on the path of national accounting system approach to IFRS Russia has passed the following steps:

1. The regulations on IFRS recognition in the territory of the RF have been developed;
2. The order of entry into force of the recognized IFRS has been developed;

3. The enactment of 29 international standards has been performed in the territory of the RF.

The objective situation is that soon the whole accounting process and financial reporting in Russia will be carried out in accordance with IFRS. For large companies preparing consolidated financial statements, these legislative changes will not introduce something new. The entities that kept their accounting records in accordance with the Russian standards and national accounting practice shall solve the problem of alignment of the existing accounting system with IFRS. For many small businesses, this issue has become or will become relevant in the near future, especially for the agricultural enterprises.

The relevance of this issue for the agricultural enterprises is obvious. First of all, this is because of the situation, which the domestic farmers will face due to the accession to the WTO: Reduction of level of state support in the framework of accession to the WTO, the broader arrival of foreign agricultural corporations to the market, search for investors for production modernization in order to compete with international companies, etc. On the one hand, the IFRS has its advantages, and help to solve two of the problems mentioned above. In case of reduction of level of state support the enterprises will need an investor. One of the advantages of reporting prepared under IFRS is its orientation on an external user, mostly on the investor. But on the other hand, this is an additional, time-consuming and serious work, both for the management of the organization, and for the accounting department employees. The self-improvement is in force: Because they will have to move away from the regulated accounting, where each step is prescribed at the legislative level, to the accounting, where much depends on the professional judgment of the accountant and the head. The work on information support is in force, because there will be a need to operate such concepts as “fair value,” “biological assets,” “net selling price” in the preparation of statements. This is the essence of IFRS: In an ambiguous situation, a professional based on his/her experience shall make the informed decision in order to prepare reliable reporting on the property and financial situation of the company.

The subject of our research is the set of theoretical and practical approaches to the recognition of assets of the agricultural enterprises of the Omsk region in the accounting under IFRS. The objective of our research is the development of an optimal testing model of assets of the agricultural enterprises for compliance with IFRS. We believe that our stated objective has been accomplished, and we have obtained a working model of assets testing with the recommended algorithm and possible sources of information.

## 2. MATERIALS AND METHODS

The study was conducted on the basis of materials of the Omsk region. The financial statements prepared in accordance with the Russian Accounting Standards of about 300 agricultural enterprises of the Omsk region, providing financial statements to the Regional Ministry of Agriculture appear as the information base of research. The period of the study reflected in the article: 2012 - Since this is the last year of thesis research, from that year

IFRS have been enacted in the territory of the RF, and so this year has the highest representation.

In the first stage of our research we determined which asset items of the balance sheet of agricultural enterprises have the largest share in the total amount of assets. For the purposes of the research we chose to test the items, which together accounted for over 80% of total assets. Further we analyzed what elements were included in each selected item. Based on the indicator share, we chose the most significant positions that cover more than 50% of the population. The selected items were tested for impairment and compliance of fair value, using data on market prices from [www.specagro.ru](http://www.specagro.ru) (Specialized Center for Accounting in the Agricultural Sector) and the Federal State Statistics Service website (Federal State Statistics Service, 2014).

### 3. RESULTS

The Table 1 shows that according to our calculations, fixed assets, inventories and accounts receivable have the largest share in the assets of the agricultural enterprises of the Omsk region. Taken together, these three items make up 83% of the assets of agricultural enterprises, therefore, for our further analysis we will perform testing of the above parameters for their compliance with IFRS.

To test the balance sheet item “fixed assets,” we performed disaggregation of this item on the components. From the application to the balance sheet we made the selection of components of fixed assets item, calculated the relative shares of each component in the structure of fixed assets (Table 2).

It is necessary to make the following clarification for Table 2: In the selection of items for testing we took the initial cost from the annex to the balance sheet as a criterion. In the balance sheet the fixed assets are reflected in the net assessment, that is, the original cost less accumulated depreciation. In the annex to the balance sheet the total amount of the original cost of all components of fixed assets is 30,514,288 thousand rubles. The amount of the accumulated depreciation (also in the annex to the balance sheet) is 9,953,085 thousand rubles. By subtracting the accumulated depreciation from the initial cost we come to the balance value of the item “fixed assets” in the amount of 20,561,203 thousand rubles.

As follows from Table 2, the indicator “machinery and equipment” has the largest share in the structure of fixed assets, i.e. - 39%, so in the future we will test this indicator. To test the selected index, we made up the balance of machinery and equipment movement for 2012 (Table 3) to determine the actual availability of agricultural machinery as of the end of 2012. The information for the balance sheet was taken from the report on agricultural equipment and energy for 2012. The following types of machines were taken as the basis: Tractors, harvesters.

In Table 3, we can see the actual availability of agricultural equipment. As indicated in Table 3, 5650 tractors and 2549 harvesters were available at the enterprises at the end of 2012.

**Table 1: Selection of balance sheet items for testing for compliance with IFRS**

| Line item                | Amount as of<br>December 31, 2012<br>(thousand rubles) | Share in the<br>balance sheet<br>currency (%) |
|--------------------------|--|---|
| Fixed assets             | 20,561,203   | 42  |
| Inventories              | 12,233,663   | 25  |
| Receivables              | 8,155,990  | 17  |
| Total assets for testing | 40,950,856   | 83  |

IFRS: International Financial Reporting Standards

**Table 2: Selection of types of fixed assets for testing for compliance with IFRS**

| Line item  | Initial cost<br>(thousand<br>rubles) | Share (%) |
|--|--------------------------------------|-----------|
| Buildings, facilities and transfer units                   | 10,507,640                           | 34        |
| Machinery and equipment                                    | 11,862,780                           | 39        |
| Vehicles   | 1,593,874                            | 5         |
| Production and household equipment                         | 78,991                               | 0         |
| Draft livestock  | 80,727                               | 0         |
| Productive livestock                                       | 2,805,482                            | 9         |
| Perennial plantings  | 21,178                               | 0         |
| Other fixed assets   | 489,700                              | 2         |
| Land plots and land use facilities                         | 3,069,642                            | 10        |
| Capital investments for the radical<br>improvement of land | 4274                                 | 0         |
| Total  | 30,514,288                           | 100       |

IFRS: International Financial Reporting Standards

Their makes and technical condition were not specified in the statements, but using a number of assumptions, we will define the value terms in which they shall be reflected in the financial statements under IFRS.

We will make a reference to IFRS 16 “fixed assets” (International Accounting Standard 16 Property, Plant and Equipment). According to the standard, fixed assets have been valued at cost upon recognition. The above-mentioned standard particularizes the amounts included in the initial cost, and in accordance with para. 24 the assessment of initial cost shall be performed at fair value. In our case, for the testing we will make the assumption that the fair value of agricultural machinery is equal to the market value thereof (Blinov et al., 2013).

The prices of the most commonly purchased types of tractors and harvesters in Russia have been taken from the market report of [www.specagro.ru](http://www.specagro.ru) site (Specialized Center for Accounting in the Agricultural Sector) and the average purchase price has been calculated by tractors and harvesters (Table 4).

As a result of our calculations the Table 4 states that the average purchase price of the most popular makes of tractors amounted to 1525 thousand rubles, harvesters: 3297 thousand rubles. We note that this data are nationwide and belong to new agricultural machinery. Therefore, for further analysis and in order to take into account regional specificities for testing, we introduced the correction factor, which takes into account regional specifics and the condition of the machinery in the Omsk region. It is the ratio of accumulated depreciation to the initial cost of machinery and

**Table 3: Balance of agricultural equipment movement in 2012**

| Name                  | At the beginning of the year (pcs.) | Received (pcs.) | Withdrawn,(pcs.) | At the end of the year (pcs.) |
|-----------------------|-------------------------------------|-----------------|------------------|-------------------------------|
| Tractors of all makes | 5745                                | 271             | 366              | 5650                          |
| Harvesters - Total    | 2575                                | 172             | 198              | 2549                          |

**Table 4: Calculation of the average cost of the main types of agricultural machinery in 2012**

| Name of machinery     | Price (thousand rubles) |
|-----------------------|-------------------------|
| Tractors, make name   |                         |
| DT – 75               | 1100                    |
| T - 150 K             | 2062                    |
| VT – 150              | 1158                    |
| LTZ – 155             | 1780                    |
| Average price         | 1525                    |
| Harvesters, make name |                         |
| NIVA-Effect           | 2729                    |
| AKROS                 | 5587                    |
| YENISEI – 1200        | 2807                    |
| DON – 680             | 3939                    |
| KSS- 2,6              | 2470                    |
| MARAL – 125           | 2874                    |
| KCK - 100 A – 1       | 2674                    |
| Average price         | 3297                    |

equipment based on reporting data for 2012. In our case it was 0.4236, and we used this value to calculate the cost of machinery and equipment in accordance with IFRS (Table 5).

According to the results of our calculations in Table 5, it can be seen that there is a discrepancy between the estimated fair value rate (7,209,446 thousand rubles) and the reported financials (6,828,061 thousand rubles) in the amount of 371,385 thousand rubles. However, given the fact that it was an analytical testing procedure in which a number of assumptions have been used, the real condition of agricultural machinery has been unknown, the deviation was only 5%, that is an acceptable value in this kind of procedure. Taking into account the results obtained, we can state that this item is reflected under IFRS. Moreover, in general, the asset balance item “machinery and equipment” in 2012 is reflected in the financial statements in accordance with IFRS standards.

Let's move to the next object of our testing - The inventories. Agricultural products are the most significant component of the inventories in agricultural organizations. Agricultural products are the current asset of the enterprise that can be used in usual activities of the organization (pet food, plant material), for processing (production of flour from grain), or as already finished products intended for sale. In national accounting practice, agricultural products inherently are the part of inventories of the enterprise and all their elements (entry into the books, write-off in production, sales) are governed by the regulations on accounting “Accounting of inventories” 5/01 (hereinafter - RAS 5/01) (Accounting Regulations “Accounting of Inventories”). In contrast to the Russian standards, IFRS include a separate standard for agriculture IFRS 41 “Agriculture,” which takes into account the specificity of agricultural activities.

If we draw a comparison between RAS and IFRS in terms of accounting of agricultural products, we will note that in IFRS

the agricultural products are covered by at least two standards: IFRS 41 “Agriculture” - at the point of its recovery (harvesting) (International Accounting Standard 41 “Agriculture”). And IFRS 2 “Inventories” - upon further accounting, movement and storage thereof. (International Accounting Standard 2 “Inventories”) As we see it in the international practice the time of receipt of agricultural products and further movement thereof are allocated separately.

Agricultural products derived from biological assets of the enterprise must be measured at their fair value less sale expenses defined upon products recovery. The value resulting from such assessment is the cost price at the date when IFRS 2 “Inventories” become applicable. In turn, the fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in conducting operations between market participants on a voluntary basis at the evaluation date. As a result, we get the following sequence:

Figure 1 shows the scheme according to which the time of receipt and harvesting of agricultural products is measured at fair value less sale expenses, and later this value becomes the cost price of agricultural products and is transferred into inventories.

Once we have analyzed the way in which the initial evaluation of agricultural products is performed, we move to how it will be reflected in the financial statements under IFRS. We have already mentioned that after receipt (harvesting), the products are transferred into inventories at the cost prepared in accordance with IFRS 41 (fair value - selling costs). Thereafter the agricultural products will be accounted and reflected in the financial statements in accordance with IFRS 2 “Inventories.” In accordance with IFRS 2 the evaluation of inventories shall be performed at the lower of the two values: At cost or at net selling price. Net selling price is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to be incurred for sale (International Accounting Standard 2 “Inventories”). Based on the rules of IFRS 2, at the end of 2012 we need to test the quantity of agricultural products in the amount of cost price and net realizable value.

At the first stage we will prepare a balance of agricultural products in kind across the agricultural enterprises of the Omsk region for 2012 (Table 6):

The balance of agricultural products presented in Table 6 was prepared in enlarged form. Its purpose is to calculate the quantity of agricultural products that will be available at the end of 2012. The column “Credit” shows the gross value of the produced, purchased volume of production. The column “Charges” shows the overall volume of production, which has been sold, used as a natural form of payment, transferred for the processing, suffered from damage. As a result, we calculated the total amount of the agricultural products, which are available in the studied companies

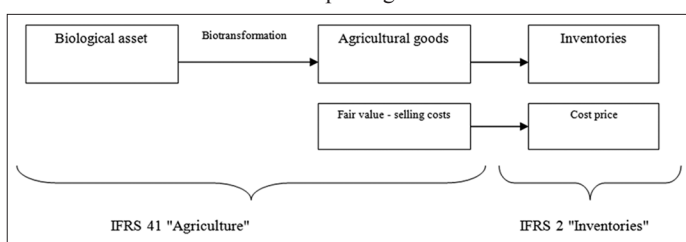
**Table 5: Testing of machine and equipment sizes for compliance with IFRS**

| Name                  | Available at the end of the year (pcs) | Average purchase price in Russia (thousand rubles) | Fudge factor | Estimated fair value (thousand rubles) | Cost according to reporting (thousand rubles) | Deviation       |   |
|-----------------------|--|--|--------------|--|---|-----------------|---|
|                       |  |  |              |  |   | Thousand rubles | % |
| Tractors of all makes | 5650                                   | 1525   | 0.4236       | 3,649,586                              |   |                 |   |
| Harvesters, total     | 2549                                   | 3297   | 0.4236       | 3,559,860                              |   |                 |   |
| Total                 |  |  |              | 7,209,446                              | 6,838,061                                     | 371,385         | 5 |

IFRS: International Financial Reporting Standards

**Table 6: Balance of agricultural products in 2012**

| Name of product                                  | Available at the beginning of the year (centners) | Credit (centners) | Charge (centners) | Available at the end of the year (centners) |
|--|---|-------------------|-------------------|---|
| Cereals and legumes, including maize grain       | 10,501,596  | 10,626,950        | 15,384,393        | 5,744,153                                   |
| Sunflower  | 91,220  | 143,460           | 133,103           | 101,577                                     |
| Potatoes   | 244,230   | 309,544           | 366,603           | 187,171                                     |
| Meat and fat (including offal) in carcass weight | 3616  | 470,659           | 467,350           | 6925  |
| Milk, any  | 3024  | 3,573,240         | 3,572,521         | 3743  |
| Eggs of all kinds of poultry (thousand pcs.)     | 9937  | 572,918           | 578,433           | 4,422                                       |

**Figure 1: Agricultural products evaluation scheme under International Financial Reporting Standards**

at the end of 2012, and, therefore, this amount will affect the values that will be reflected in the financial statements for 2012.

At the next stage of our research, we will calculate the values of agricultural products based on cost, and on the net selling price (Table 7).

In Table 7 the data on unit costs were taken from the following reports: Report on the production, cost and sales price of livestock products for 2012; information on costs, production and sale of crop production for 2012. The sales prices were taken from the site of Rosstat (Federal State Statistics Service, 2014), as the average market prices for these products in 2012. According to the results of calculations it is obvious that the value of the gross cost of agricultural products is lower than the cost value of agricultural production in the sales prices by 7%, and consequently, agricultural products for 2012 shall be reflected at cost in the financial statements.

In the financial statements of agricultural enterprises of the Omsk region in the balance sheet for 2012 the agricultural production is reflected as inventories at cost, specifically - in the line "raw materials and other similar values" (see annex to the balance sheet). The total value of this line amounted to 4,913,173,000 rubles, and we have tested the value of 3,541,737,614 rubles, which is 72% of the total value. To summarize our analysis, we can say that agricultural production in the reporting of agricultural enterprises of the Omsk region for 2012 is reflected in accordance with IFRS.

In accordance with paragraph AG4 IFRS 32 "Financial instruments: Presentation of information," receivables are the financial assets, (International Accounting Standard 32 "Financial Instruments: Presentation") which are assessed at fair value at initial recognition in accordance with IFRS 39 "Financial Instruments: Recognition and Measurement" (International Accounting Standard 39 "Financial Instruments: Recognition and Measurement"). In our view the market value will be the nearest equivalent to fair value. Therefore, as a test we have performed the market valuation of receivables of the agricultural enterprises of the Omsk region.

To determine the value of accounts receivable, based on the analysis of financial and economic activity of the agricultural enterprises of the Omsk region, the average term of accounts receivable turnover has been calculated, which was 149 days, or 0.409 years. We have decided to calculate the market value of this assets group of the agricultural enterprises using the discounting future income.

According to Deloitte and Touche methodology ("The Methodology and Guidance for the Assessment of Business and/or Assets of JSC 'UES of Russia' and Subsidiaries and Affiliates of JSC 'UES of Russia,' Section 3") the carrying value of receivables shall be originally adjusted by the amount of bad debts (The Methodology and Guidance for the Assessment of Business and/or Assets of JSC "UES of Russia" and Subsidiaries and Affiliates of JSC "UES of Russia"), The financial statements show the data on overdue amounts which can be attributed to non-returnable amounts, as its value has only increased in the period being analyzed, and it has not been repaid. According to the explanatory notes to the balance sheet and the financial results report, only receivables for the current year have been repaid. According to the data submitted to the Regional Ministry of Agriculture, the value of bad receivables amounts to 2,455,433 thousand rubles. Then, the carrying value of short-term receivables, less bad debts, amounts to 5,700,557 thousand rubles.

The following formula was used for calculation:

$$PV = \frac{FV}{(1+i)^n} \quad (1)$$

**Table 7: Calculation of cost of agricultural products in 2012**

| Name of product                                  | Available at the end of the year (pcs.) | Initial cost of 1 pcs. (rubles) | Gross cost (rubles) | Selling price of 1 pcs. (rubles) | Total cost in selling prices (rubles of sales) |
|--|---|---------------------------------|---------------------|----------------------------------|--|
| Cereals and legumes, including maize grain       | 5,744,153                               | 572                             | 3,285,655,516       | 610                              | 3,503,933,330                                  |
| Sunflower  | 101,577                                 | 968                             | 98,346,851          | 1246                             | 126,564,942                                    |
| Potatoes   | 187,171                                 | 538                             | 100,697,998         | 764                              | 142,998,644                                    |
| Meat and fat (including offal) in carcass weight | 6925                                    | 6256                            | 43,322,800          | 6860                             | 47,505,500                                     |
| Milk, any  | 3743                                    | 1137                            | 4,255,791           | 1360                             | 5,090,480                                      |
| Eggs of all kinds of poultry (thousand pcs.)     | 4422                                    | 2139                            | 9,458,658           | 2704                             | 11,957,088                                     |
| Total  |   |                                 | 3,541,737,614       |                                  | 3,838,049,984                                  |

**Table 8: Calculation of the market value of receivables**

| Index  | 2012       |
|--|------------|
| Amount of accounts receivable (thousand rubles)                                    | 8,155,990  |
| Amount of provision formed by the entity (thousand)                                | -          |
| Carrying value of receivables (thousand rubles)                                    | 8,155,990  |
| Amount of bad debts (thousand rubles)  | 2,455,433  |
| Carrying value of receivables adjusted for bad debts, (thousand rubles), <i>FV</i> | 5,700,557  |
| Average duration of receivables turnover (years) <i>n</i>                          | 0.409      |
| Discount rate (%), <i>i</i>  | 8.25       |
| Present value factor   | 0.968      |
| Present value of receivables, (thousand rubles), <i>PV</i>                         | 5,518,650  |
| Adjustment amount (thousand rubles)  | -2,637,340 |
| Deviation value (%)  | -32.34     |

Where,

*PV* – The market value of receivables;

*FV* – The amount payable in accordance with the balance (adjusted for the amount of bad debts);

*i* – The discount rate corresponding to the refinancing rate of the Central Bank of the RF as of the reporting date (as of 31.12.2012: 8.25%);

*n* – The average maturity of debt in years;

According to Table 8, we can conclude that the carrying value of accounts receivable in 2012 was considerably overstated. The excess of 2,637,340 thousand rubles. (32%) was due to the presence of outstanding receivables and lack of provision for doubtful debts. Therefore, this item needs to be adjusted to IFRS principles for the above-mentioned deviation.

#### 4. DISCUSSION AND CONCLUSION

According to the results of our study the point of determining the market value of the buildings, structures and transmission devices is not obvious, because often these objects are standard for all businesses. Therefore, the possibility of an impairment test must be used for each enterprise, taking into account its specificity.

To summarize our study, we note that during the audit of the balance sheet asset items for compliance with IFRS, the most essential

components forming a part of fixed assets and inventories as well as receivables in full have been tested. Fixed assets, inventories and accounts receivable accounted for 83% of the assets. In our study, the cost of machinery and equipment has been tested as a part of fixed assets. The method for determining the fair value of tractors and harvesters has been proposed, taking into account the data on market prices obtained from an external reliable source, and a correction factor has been calculated and applied to take into account the regional particularities and condition of the machinery. The resulting value of the fair value significantly deviated from the value shown in the accounts and, therefore, allowed us to state that the machinery and equipment as a part of fixed assets were disclosed in accordance with IFRS. The material item - The agricultural products - was tested as a part of inventories. The agricultural products balance at the end of 2012 and the net selling price of the product have been calculated based on the average market prices. Since in accordance with IFRS, in the financial statements the inventories shall be reflected at the lower of two values: Cost and net selling price, a comparison between the estimated value of the net selling price and the cost price referred to in the financial statements in accordance with the Russian Accounting Standards has been performed. Though slightly, but the cost value was lower than net realizable value. Since the agricultural products were reflected at cost in the financial statements submitted to the regional Ministry of Agriculture, we can state that in the reporting of the agricultural enterprises of the Omsk region in 2012 the agricultural production has been recognized in accordance with IFRS. The accounts receivable have been tested in full. We performed the market valuation by discounted cash flows and have established that its value in the financial statements for 2012 had been overstated by more than 32%. This increase was due to the presence of overdue debts, for which no provision for doubtful debts had been made.

The findings of the research have practical potential in the preparation of financial statements under IFRS for the agricultural enterprises of the Omsk region. It is expressed in using the data of already well-functioning accounting system by Russian standards, proposing the algorithm of actions to test the existing data, and the information data on the reliable market prices allowing you to calculate the fair value of the most significant items of the financial statements.

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