M.Vardiashvili Ph,D,
Assistant Professor of Faculty
of Economics and Business
Ivane Javakhishvili Tbilisi State University
m_vardiashvili@mail.ru

CHALLENGES OF IFRS INTRODUCTION IN GEORGIA

ANNOTATION: Shifting to IFRS is a public initiative that covers numerous spheres of economy. Introduction of IFRS is a complex, multi-stage methodological process to be implemented through years, rather than a one-time event.
State support which implies improvement of regulatory legislative framework, resolution of financial issues related to publication of IFRS in Georgian, active cooperation with professional organizations, investors and other users of financial reporting is crucial for reaching success in this process.

KEY WORDS: Globalization, IFRS, accounting, financial reporting

While barriers to globalization are shaking, requirements of financial reporting preparation and public presentation have increased significantly. Integration into world economy is impossible without introduction and usage of accounting, financial reporting and modern audit systems. These well-known and worldwide-accepted rules are international standards of financial reporting that define basic provisions of preparation and presentation of financial reporting, methodological framework and their application in practice.

Conditions required for introduction of IFRS nationwide include determination of its legal status, translation into official language, quality control of financial reporting according to international standards, and IFRS teaching and trainings.

Legal recognition of IFRS in Georgia. For the purpose of supporting implementation of accounting reform and international standards in Georgia, the Parliament of Georgia passed a law on Accounting and Reporting Regulation on 5 February 1999. This law served as a boundary between state-regulation and self-regulation of accounting and reporting — with budget-financed organizations and their accounting and reporting subjected to state regulation (particularly, to the Ministry of Finance of Georgia) and private legal entities subjected to professional public organizatons and Accounting Standards Committee of the Parliament of Georgia. Actually, The process of shifting to international standards of accounting and financial reporting in Georgia started on 1 January 2000 and is still in

progress. In order to ensure compliance with current requirements of accounting and audit regulatory legislative framework, the parliament of Georgia passed a law on Accounting and Financial Reporting Audit on 29 June 2012.

Official translation of IFRS into Georgian. From the current view it should be noted that passing of laws and delegation of authority are not enough for IFRS implementation — standards should be translated into Georgian and any concerned person should have an unhindered access to the text. The problem is that the International Accounting Standards Committee issues standards in English language and the Committee fund owns a copyright on IFRS text.

The only accredited organization in Georgia. Georgian Federation of Professional Accountant and Auditors has already translated IFRS into Georgian and is currently translating international financial reporting standards for small and medium enterprises. Although, the standards has not yet been published as a law neither in Legislative Herald of Georgia nor on internet.

Obviously, translation of IFRSs is quite complex challenge in the light of technical as well as human and time resources and besides, «Minimum amount of royalty to be paid to IASC for each published IFRS amounts to USD 5. If published by a printing body, publication circulation shall be the circulation of the printing body». [3.4]

Unavailability of IFRS in Georgian (due to substantial price for each copy published by GFPAA) has become a serious barrier to adaptation to IFRS accounting system. In private enterprises it affects not only quality of financial reporting but settlement against budget too, because in most cases calculation of tax liabilities are directly related to the accounting rules defined in IFRS. We believe this matter should be regulated on a state level.

Quality control of financial reporting prepared according to international standards. Nowadays, there is a lack of IFRS-oriented financial reporting users because of no experience in application of accounting information in decision-making process. Successful shift to IFRS is impossible without relevant demand on introduction of effective legal mechanism of control over execution, reporting authors, investors and analysts.

IFRS teaching, trainings. Another problem of IFRS application is the certification of human resources. GFPAA has worked out a three-year educational program of IFRS certification which turned out to be less attractive because of high price of the program and lack of time required for teaching. Working out a certification program acceptable

for its structure and price will improve and hasten the process of IFRS introduction in Georgia.

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Кісь С. Я., к.е.н., доцент кафедри теорії економіки та управління, svjatkis@gmail.com

Кісь Г. Р., к.е.н., доцент кафедри менеджменту і адміністрування galyakiss@gmail.com

Вівчар Г. О., здобувач кафедри теорії економіки та управління, Івано-Франківський національний технічний університет нафти і газу, vivchar.gal@ukr.net

ОСОБЛИВОСТІ ПРОЦЕСІВ УПРАВЛІННЯ КАПІТАЛІЗАЦІЄЮ ПІДПРИЄМСТВ НАФТОГАЗОВОГО КОМПЛЕКСУ

АНОТАЦІЯ. Проаналізовано характерні риси та відмінності процесів капіталізації підприємств нафтогазового комплексу. Обґрунтовано необхідність і можливості розширення шляхів зростання вартості їх капіталу.

КЛЮЧОВІ СЛОВА: підприємство, капітал, капіталізація, інтелектуальний потенціал, управління капіталізацією.

АННОТАЦИЯ. Проанализированы характерные черты и различия процессов капитализации предприятий нефтегазового комплекса.