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PROBLEMS AND THE USEFULNESS OF SEGMENTAL INFORMATION DISCLOSURES

Segment disclosure has been a popular accounting research topic since the 1970s. But in Ukraine, the disclosure of segment information is a relatively new requirement. The disclosure of information by operating segments can be viewed, from the perspective of agency theory, as a tool to reduce information asymmetry because it allows external users to have access to data used internally for making decisions and conducting activities. It is impossible for users to predict a firm's future prospects without information concerning each segment of the entity.

The usefulness of segment disclosure was investigated by testing the forecast ability of segment information for future earnings or incomes. There was found that analyst forecast accuracy improved post-SFAS No.131 because SFAS No.131 provided the stock exchange with more information [1, p. 11].

Aggregation of segments should be consistent with the objective and basic principles of this Subtopic - to provide information about the different types of business activities in which a public entity engages and the different economic environments in which it operates in order to help users of financial statements better understand the public entity's performance, better assess its prospects for future net cash flows, and make more informed judgments about the public entity as a whole.

While the concept of operating segments is fundamental to segment reporting, the identification of operating segments often is one of the biggest challenges. A public entity must identify what operating segments are reportable segments that should be disclosed in the notes to the financial statements. A key aspect in correctly determining an entity's operating segments is to properly identify its chief operating decision maker (CODM). Identifying the CODM can be difficult and the CODM will vary from entity to entity. It could be an individual, such as the chief executive officer or chief operating officer, or it could be a group of people, such as a senior management team or a board of directors [2].

This type of disclosure may be dangerous. Certain entities have expressed concern that making disclosures may put them at a competitive disadvantage. It exposes the business to other companies in the market, thus providing competitive advantage to competitors. Business structures fear that exposure of the economic-financial positions of its various segments may result in disputes with their workers or unions. Some entities believe that disclosing this information could affect their bargaining position in negotiations. Others believe that because some competitors may not have to make the same disclosures, the competitors will have a strategic advantage. Competitors may not have similar disclosures because their organizations are managed differently, resulting in different reportable segments, or because they are nonpublic or foreign and reporting under a framework that doesn't require similar segment reporting. In the same time disclosure can also benefit companies, for example, reducing the cost of capital and increasing share liquidity.

Since segmental information disclosure requirements call for details about operating margins, return on assets, growth rate and risks of segments in addition of information on different product lines and geographical segments that companies have, it exposes both the weaknesses and opportunities of the business; competitors and other parties can exploit their competitive advantage.

Segment information, if disclosed to parties outside the enterprise, would play an important role in improving the allocation of scarce resources in an economy. Non-availability of information creates uncertainty in the investment market and thereby makes the investment market inefficient.

The disclosure of information removes the imperfections in the investment market and causes the market to function properly. Also, the disclosure of segment information may influence greatly management performance and encourages them to work in the interest of society and investors. It helps in checking corporate abuses related to such matters as fraud, unfair pricing policy and trade practices.

Financial information can also affect how investment is allocated among firms. Disclosure may alter investors beliefs about the relative rewards and risks associated with particular securities [3]. Thus, financial disclosure for business segments may result into more efficient allocation of resources.

It is widely recognized by authors in accounting and finance, accountants and accounting bodies that segment information has great usefulness in investment and credit decisions. It is argued that segment information enables the financial statement users to better analyze the uncertainties surrounding the timing and amount of expected cash flows - and therefore, the risks - related to an investment or a loan to an enterprise that operates in different industries and markets.

In credit decisions, creditors like shareholders, are interested basically in profitability and cash flows of a debtor company. Profits are the source of funds for paying interest and principal of loans. In making short-term loans decisions the banker aims to forecast short-period cash flow as an indicator of a customer's ability to meet maturing financial obligations. A banker is interested in segment information to disclose areas of weakness such as unprofitable products or markets that absorb rather than produce funds for meeting debts.

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SOME ISSUES OF IMPROVING THE ACCOUNTING OF AUTHORIZED CAPITAL IN JOINT-STOCK COMPANIES

It is customary in modern economic theory to single out several types of capital: money, production and financial. But such forms of capital are not considered in accounting, and this is just one of the classifications that takes place along with others. In accounting, capital is viewed not as on the scale of the whole company, but within the enterprise, since capital is one of the sources of the formation of its assets (property, funds). Within the framework of a single commercial enterprise, the concept of capital is perceived in a more certain sense than in the general scale of a society. The structure of the accounting of the capital in a specific enterprise, especially in commercial company, is primarily based on the legal principles established in the regulations in force in the country. From the normative point of view in spite of the fact that the term is used very often, it is difficult to answer the question - what is "capital".

In our country, the most important regulatory legal issues in the formation, accounting, development and organization of capital of commercial enterprises are reflected in the following regulatory acts:

- Civil Code of the Republic of Azerbaijan;
- Tax Code of the Republic of Azerbaijan;
- Law of the Republic of Azerbaijan on Accounting [2].

The operation to form the authorized capital (share capital, statutory fund) is one of the primary operations of a commercial enterprise. However, at the same time, there arises the problem about when the operations on the formation of the authorized capital are reflected. On the one hand, any commercial enterprise is recognized since the moment of state registration. However, up to this point, a number of events are taking place related to the commencement of operations. First of all, this is a meeting