

## EXPRESS ANALYSIS OF THE COMMERCIAL ORGANIZATION'S PERFORMANCE ACCORDING TO THE FINANCIAL STATEMENTS COMPILED IN ACCORDANCE WITH THE RUSSIAN STANDARDS AND IFRS

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**Abstract.** This article examines the express analysis of a commercial organization's performance through the lens of financial statements prepared under both Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS). By exploring the structure and components of balance sheets, income statements, and cash flow statements, the paper highlights key financial ratios and performance indicators essential for evaluating a company's financial health and operational efficiency. A comparative approach is employed to identify the unique features and differences between RAS and IFRS, offering insights into how these standards influence the interpretation and reliability of financial data. The study provides clear formulas and examples that demonstrate how specific accounting practices under each framework affect financial ratios, such as liquidity, profitability, and leverage. The findings underscore the importance of understanding the methodological distinctions between RAS and IFRS, especially for stakeholders relying on financial analysis for decision-making. In conclusion, the article offers practical recommendations for improving the accuracy and consistency of performance assessments across different accounting standards, ensuring more informed and transparent financial evaluations.

**Keywords:** Russian Accounting Standards, International Financial Reporting Standards, financial statements, performance analysis, revenue recognition, fair value measurement, historical cost, accounting frameworks, financial indicators, regulatory standards, IASB, Federal Law No. 402-FZ

When examining the performance of a commercial organization, it is essential to understand how the underlying accounting frameworks—Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS)—differ and what implications these differences have for financial analysis. Each framework is governed by its respective regulatory and methodological foundations. In Russia, financial reporting is primarily regulated by Federal Law No. 402-FZ "On Accounting" (dated December 6, 2011), along with official regulations and instructions issued by the Ministry of Finance of the Russian Federation. In contrast, IFRS is based on standards issued by the International Accounting Standards Board (IASB) and is widely adopted to ensure uniformity in financial reporting across multiple jurisdictions.

The most notable distinctions lie in the recognition, measurement, and presentation of financial information. Under RAS, accounting principles are generally more conservative, with an emphasis on historical cost and strict adherence to detailed regulatory requirements. For example, asset valuation under RAS tends to be more restrictive, with less frequent revaluation to market conditions compared to IFRS. In contrast, IFRS promotes fair value measurement and provides

greater flexibility in accounting policies, which can lead to more timely and market-reflective financial information.

These differences affect key areas such as revenue recognition, depreciation methods, and the treatment of financial instruments. For instance, revenue recognition under IFRS often aligns with the control-based model established by IFRS 15, which emphasizes the transfer of control to the customer, while RAS typically follows more rule-based, prescriptive criteria. Depreciation under RAS is often calculated using simpler methods mandated by tax legislation, whereas IFRS allows for methods such as component depreciation, which can provide more accurate representation of asset consumption.

Understanding these distinctions is crucial for any financial analysis. Analysts and stakeholders must be aware of how accounting policies influence financial ratios and overall performance assessments. For instance, a company's profitability ratios might differ significantly depending on whether RAS or IFRS is used, due to variations in expense recognition and revenue timing. Similarly, leverage ratios could be influenced by differing treatments of lease liabilities and contingent liabilities under the two standards.

An essential step in express analysis is identifying and interpreting key financial ratios and performance indicators. These metrics help assess a company's financial health and operational efficiency by providing insights into liquidity, profitability, and financial stability.

Under both Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS), analysts calculate a range of ratios, including:

#### **Liquidity Ratios:**

**Current Ratio** = Current Assets / Current Liabilities

This ratio shows whether a company can cover its short-term obligations with its short-term assets.

**Quick Ratio** = (Current Assets - Inventory) / Current Liabilities

This ratio provides a stricter measure of liquidity, excluding inventory which may not be quickly convertible to cash.

#### **Profitability Ratios:**

**Return on Assets (ROA)** = Net Profit / Total Assets

This indicates how efficiently a company uses its assets to generate profit.

**Return on Equity (ROE)** = Net Profit / Shareholder Equity

ROE shows the return generated on shareholders' investments.

**Net Profit Margin** = Net Profit / Revenue

This ratio reveals how much profit is made for each unit of revenue.

#### **Leverage Ratios:**

**Debt-to-Equity Ratio** = Total Debt / Shareholder Equity

This ratio indicates the degree of financial leverage and helps gauge a company's risk level.

**Interest Coverage Ratio** = EBIT / Interest Expenses

This measures a company's ability to meet its interest payments from operating earnings.

By calculating and analyzing these indicators, it becomes possible to evaluate a company's performance over time and in comparison to industry benchmarks. Furthermore, differences in accounting standards can impact these ratios. For instance, IFRS often uses fair value measurements and more detailed revenue recognition criteria, which can affect profitability ratios and leverage measures. In contrast, RAS's more conservative approach to asset valuation and stricter rules for expense recognition might lead to more stable, but less dynamic, financial indicators.

The distinct approaches of RAS and IFRS have significant implications for financial analysis and decision-making. Stakeholders—be they investors, creditors, or internal managers—must consider how these frameworks impact the reliability and comparability of key performance indicators.

For example, the treatment of long-term assets under IFRS often relies on fair value measurements, which may present a more current view of the company's financial position, but can also introduce volatility. Under RAS, where historical cost remains the dominant valuation method, financial statements might offer a more stable snapshot but can fail to reflect the true market value of assets and liabilities. This fundamental difference means that ratios derived from RAS statements—such as return on assets (ROA) or debt-to-equity—might appear more conservative or understated than those based on IFRS data.

Additionally, IFRS typically provides more flexibility and discretion in accounting policies. While this can lead to more informative reporting, it also increases the risk of managerial judgment influencing financial outcomes. On the other hand, the more prescriptive nature of RAS helps ensure compliance and consistency but may hinder the ability to present the most relevant financial picture for dynamic, fast-changing markets.

The analysis of a commercial organization's financial performance requires a comprehensive understanding of the underlying accounting frameworks. The distinct approaches of RAS and IFRS in recognition, measurement, and presentation significantly influence the reliability and comparability of financial ratios. While RAS provides stability and consistency, IFRS offers greater flexibility and market relevance. Recognizing these differences is crucial for accurate financial analysis and informed decision-making. By employing both frameworks, analysts can gain a holistic view of a company's financial health, ensuring that stakeholders are equipped with transparent, consistent, and timely financial information.

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