

# INSTITUTIONAL THEORY AND INTEGRATED ACCOUNTING

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## ABSTRACT

*We focused on one of the closest to our subject area of research theory, i.e., institutional theory. The application of its tools will allow a comprehensive approach to the development of accounting, analytical and control support of entity's payment transactions and will determine its impact on the formation of reporting information, will highlight the factor of uncertainty in the implementation of payment transactions. The authors of the article characterize modern perspective directions of accounting development. The possibility of their achievement using the institutional approach is substantiated. The main ideas of institutionalism are highlighted, which can be applied to the development of the methodology of accounting, analytical and control support of payment transactions.*

**Keywords:** Entity's Payments, Institutional Theory, Information Support, Reporting, Uncertainty.

**JEL Classification:** A12, M41, P16.

## INTRODUCTION

Institutional theory allows to describe current changes and assess the development of the accounting system (national and global) from the standpoint of finding relevant information by users of accounting information, which is based on the legal framework for its implementation and determines the development of accounting at the entity. The current promising areas of accounting development include the focus on IFRS as an effective and universal mechanism for financial reporting, which allows you to work successfully with foreign partners and provides effective management of the organization; focus on providing 1) integrated reporting, which includes information on the effectiveness of the use of material and labor resources, aimed at informing users of reporting on the level of social responsibility of its owners and managers; 2) information on resources that ensure the strategic development of the entity; 3) financial information about the resources of the entity, which are not subject to reliable quantitative assessment, they include social and human capital of the entity; focus on providing promising and predictive probabilistic information for decision making. We believe that these goals can be achieved using an institutional approach.

## METHODOLOGY AND DATA

A feature of institutional theory is the lack of a unified methodological basis (categories, concepts) for research. Despite the sufficient number of scientific publications on the development of institutional theory and its interdisciplinary application, scientists have not reached the conventionality of the concept of “*institution*” and “*institutional approach*”. As noted by Visochan & Yahvak (2017) “*today there are certain agreed views on the basic features of institutionalism as a scientific approach, which primarily distinguish it from other theoretical concepts of cognition of phenomena and processes*” (Visochan & Yahvak 2017). Having analyzed the works of (Zhuk 2018; Chukhno 2008; Dubina 2017; Yukhimenko 2014; Lemeshchenko & Melnikova 2005; Sokil 2017; Yandanova 2012) the following main ideas of institutionalism can be distinguished.

**Scientific Ideas:** the formation of the institutional paradigm, the concept of sustainable development, the application of an interdisciplinary approach to cognition of phenomena and processes, synthesis of scientific methods of analysis of different sciences, their substantiation and application for the study of different objects, which allows to expand the theoretical and methodological basis of research in the economic sphere; instead of methodological individualism, i.e., analysis of individual behavior, there is a transition to the principles of methodological holism, according to which the center of analysis is not individuals but institutions, not individual institutions, but their system.

**Best Practices:** expanding technological capabilities of methods (XBRL); strengthening the status of the profession (targeting the profession to participate in solving problems of “*maximizing behavior*” – “*uncertainty of the economic environment*” – “*payment of information*” – “*transaction costs*” and, accordingly, the formation and development of their institutions and organizations); use of statistical data and methods of their processing to explain the dynamic processes of functioning and development of economic processes; the need for control over the economy, the active economic and social role of the state, which ensures the development, legislative approval and operation of formal institutions, balancing them with informal, the formation and regulation of the competitive environment.

These ideas can be applied to the development of methodology for accounting, analytical and control support of payment transactions.

## RESULTS AND DISCUSSION

In the conditions of business risks, the problem of compiling integrated reporting is gaining relevance and, accordingly, meeting the demands of management and the interests of stakeholders (Gevchuk 2019) is gaining urgency. Thus, integrated accounting acquires the characteristics of an institution – the basic category of institutionalism.

As Professor Zhuk (2018) in his monograph states “*it is necessary to update the accounting paradigm, where: 1) the information support of various social groups expands outside the business entities; 2) accounting is increasingly positioning itself as perhaps the most important institution that reduces the risks of uncertainty in the socio-economic environment through the formation of a specific (most reliable) information field*”.

The use of XBRL in the development of taxonomy of financial reporting allows to ensure maximum coherence and management functions in the socio-economic environment of the entity both in depth (disclosure of specific, industry and even corporate information on payment transactions) and widely (expansion of publicity in accounting statements).

The effectiveness of entity development management is directly dependent on the amount of information, its quality and intended use. As noted by Bogataya & Evstafieva (2013), large economic entities will still have to solve the problem of setting up an accounting system focused on achieving their strategic goals. On the one hand, many modern researchers and practitioners note the tendency to form an integrated system of accounting and reporting, and on the other – there is an autonomous existence of different types of accounting and the formation of appropriate reporting.

Integrated accounting is an integral part of entity's management, which provides sufficient and timely support of all levels of information management, is a necessary condition for making sound management decisions, forecasting results and evaluating the activities of the entity as a whole and its structural units. The lack of a holistic concept of accounting causes a set of issues that need to be addressed by modern corporations.

Another aspect that institutional theory also emphasizes is the valuation problems that underlie cash flow discounting. It is the issue of discounting that should reveal in detail the essence of the assessment of payment transactions of agribusiness entities.

The influence of institutionalism on the system of integrated accounting is realized through the formation of information at several stages, which in turn involve interaction with institutions Table 1.

<b>Stage of the process</b>	<b>Brief description of the stage</b>
Determining the accounting and information needs of stakeholders	to which recipient, with what accuracy, with what urgency and with what time intervals the information is required
Collection and processing of information	Selection and definition of internal and external information sources, as well as terms; accounting for the cost of information and the benefits of obtaining it; reducing, merging, linking or detailing of information
Information transfer and its interpretation	Choice of information presentation possibilities (graphically, in tables, in formulas), interpretation of numbers and indicators, disclosure of causes and consequences, proposal of options of actions, measures and rules of decision-making, carrying out of trainings
Storage of information and its further rational processing and use	Selection of technical equipment for information storage and tools in the field of information technology

The process of forming an effective information system of the entity requires professional support from the integrated accounting system at each stage.

## CONCLUSION

Institutional theory will determine the impact of institutes of accounting, auditing, in terms of application of methodology, regulations, application of the Concept of Sustainable Development and determining its impact on the formation of reporting information. In modern conditions, solving strategic tasks of sustainable economic development of the entity, entrepreneurs face the task of monitoring current and strategic indicators. Considering the internal and external sources of financing for sustainable development, the problem of integrated accounting for direction of their use occurs.

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