

VECTORS OF DEVELOPMENT OF ACCOUNTING AND ANALYTICAL SUPPORT OF VENTURE MANAGEMENT

**Robert Bacho, Ferenc Rákóczi II. Transcarpathian Hungarian Institute
Viktoriia Makarovych, Uzhgorod National University
Nataliia Tsenkler, Uzhhorod Trade and Economic Institute of Kyiv
National Trade and Economic University**

ABSTRACT

One has built the system of management report on the venture activity of the enterprise. The way of reporting is one of the peculiar features of this system since it is carried out not by the accounting department but by other departments of the enterprise, which have a relation to the responsibility centers via the accounting data. The developed system of management accountability of venture activity forms the general view of the work results of all levels of the company management (operational, tactical, and strategic) for certain responsibility centers: cost center, revenue center, profit center, venture investment center and departments, they comprise. This approach to the system of management accounting of the enterprise creates prerequisites for setting a complete managerial cycle of the enterprise's venture activity. The developed system of management accounting of venture activity of the enterprise contributes to introduction and implementation of an innovative risk project, shapes the elements of a database for management, thanks to the coordination of executive and management departments of a venture enterprise, the summary of planning, accounting, and analytical information.

Keywords: Management Accounting, Venture Activity, a Responsibility Center, Investment Activity, Risk.

JEL Classifications: M21, O16

INTRODUCTION

The formation of an innovative model of economic development is the priority strategic direction and the necessary condition for the full entry into the world economic system. Attracting the investments to radically new technologies, ensuring the efficiency of management, is one of the ways to get out of the economic and financial crisis.

Venture activity encourages the changes in the quality of the innovative model of economic development, the amount of its resource support, and the quality of economic growth by solving issues related to overcoming the limitedness and the rise in the price of investment resources. At present, one can observe a rapid increase of interest of business entities to the establishment of an efficient system, which can manage venture activity at all stages. The accounting and economic analysis of a venture activity are called to become the key instruments of arranging such a system since both elements are interrelated and complement each other.

REVIEW OF PREVIOUS STUDIES

Based on the analysis of the approaches given by scientists, one can determine the typical requirements for the definition of the notion “venture activity.” There are five main features which are equally important for the mentioned activity:

An activity which has a relation to risks and can be regarded as “risky” (De Vries et al., 2017; Garbowski et al., 2019).

An activity connected with investments in the field of scientific and technical innovations. Its results are new items, technologies, and services, which are further engaged in production (Dearman et al., 2018).

An activity carried out by the venture innovative companies and foundations (Drobyazko et al., 2019).

An activity that is financed through attracting venture capital investments (Drover et al. 2017)).

An activity aimed at getting, use, and commercialization of the research findings (Hilorme et al., 2019; Yelisyeyeva et al., 2019).

We consider that the notion of “venture activity” should be regarded as a risky activity of innovative companies and foundations, financed via raising venture capital; which is related to investments in the area of scientific and technical innovations, resulting in appearance of new goods, technologies, and services; and targeted on obtaining, exploitation, and commercialization of scientific research and development.

METHODOLOGY

The systematic approach to the study of economic processes in the work of entities of the venture industry and the identification of objects of venture activity constitute the methodological basis for the research. One used the epistemological approach to clarify and enhance the content of notions and categories, which describe the accounting and analytical support of managing the venture activity. The analysis, synthesis, induction, deduction, abstracting, idealization, and generalization were used as scientific research methods to develop the initial provisions of the theory and methodology of accounting for venture activity. A comparative legal method was used to estimate the forms of organization and specificity of accounting of venture activities in countries around the world. The bibliographic and bibliometric types of analysis ensured a possibility to identify the tendencies in the development of the theory and methodology of venture activity accounting.

RESULTS AND DISCUSSIONS

Venture activity is a mechanism that can ensure the innovative growth of the state’s economies even if it is in its development phase. This activity requires an obligatory existence of two key participants the enterprises, which need venture financing, and risk capital investors. Venture activity is closely related to a high degree of risk, which is due to the inability to determine the financial results of the activity in advance. One of the most effective ways to lower the risks is the organization of an efficient system of accounting and economic analysis, which will be able to form detailed statements about the sources of venture financing, the directions of its costs, and results of venture activity for all entities engaged into the process of venture activity.

The majority of venture capital enterprises are as small and medium-sized companies in the newest sectors of industry, such as aerospace industry, biotechnologies, power industry, electronics, the Internet, nanotechnologies, pharmaceuticals, robotics, software, TLC, web publications, the production of consumer goods, etc. Based on the experience of

developed countries, one can state that small enterprises are the most effective form of organization of venture activity. The innovation capabilities of small and medium-sized companies ensure at least 20-25% of the contribution to the overall economic growth of the USA (Meglio et al., 2017). The activity of venture enterprises has given rise to a lot of goods, for example, cellophane, a ballpoint pen, a helicopter, a turbojet engine, a zip-fastener, a kinescope, insulin, color photography and printing, electrophotography, a microprocessor, etc. The venture business in the USA is concentrated in the most science-based sectors the production of semiconductors, computers, software, and artificial intellect (Wallmeroth et al., 2018).

Venture enterprises are the companies, which quickly make progress. They are characterized by an intensive generational change of products and technologies, related to the basic innovations.

Accounting and economic analysis are the main tools providing the adoption of management decisions with information regarding a risk innovative project on the venture enterprise. An efficient accounting system should provide a continuous process of fixation of the initial information about business transactions; grouping the data according to particular criteria, directions, periods; the provision of the latest, reliable, and timely information regarding the entire chain of consecutive components of the introduction and implementation of a risky innovative project at a venture enterprise. The development of the general principles of accounting and economic analysis of venture activity is facilitated by the determination of the role of accounting in managing risky innovative projects, in view of their economic nature.

The venture capital investment is one of the types of investing. The procedures of venture capital investment are the objects of accounting of venture activity. The dynamic growth of venture activity takes place against a backdrop of outdated general provisions of accounting and economic analysis, which do not give a possibility to ensure the proper level of information support for management decision-making within the framework of venture activity of venture foundations. Therefore, one faces a need to improve the contemporary accounting methodology in accordance with the new challenges of the economy, by enhancement accounting and venture investment procedures.

The international standards of financial reporting feature a range of standards dedicated to investments: IFRS 27 "Consolidated and separate financial statements," IFRS 31 "Interests in joint ventures," IFRS 32 "Financial instruments," and IFRS 39 "Financial instruments: recognition and measurement." Since various types of investments are directed at solving different issues, they do not equally affect the development of various business entities. There are no unified systems of classification of investments, which makes it difficult to choose an evaluation procedure in accounting and determination of accounts for their accounting.

Venture activity cannot exist beyond the information space since its target mission lies in the information support for decision-making regarding the investments within the level of venture enterprise, the venture foundation, and the asset management companies. The accuracy of the investment decision, the effective use of resources, and investment activity in the country altogether depend on the quality of information support. The level of attraction of investment resources depends on the quality of information support, namely, one means the full and objective disclosure of information related to the venture activity of the entity. The completeness, accessibility, and openness of information let the entities a possibility to find each other within the venture industry. In the course of development and implementation of the projects into the activity of entities, the information support helps to analyze all its components, which allows people to treat the problems thoroughly and find solutions for them in the future.

Information of different natures, formed in the course of accounting of the enterprise, serves as the basis for the adoption of managerial decisions. The key peculiarity of accounting is that it provides all the interested parties (owners, employees, regulatory agencies, creditors, and investors) with objective, based on the generally accepted principles, and reliable information, required for the decision-making. The venture investors use accounting data to define the efficiency and feasibility of investing in the venture entities, which is possible only on the basis of the actual information. The authorities of state control estimate the state of calculations on taxes and other necessary payments. The stock exchanges use the data of accounting to influence on the quotation of financial securities of the issuers.

The study of the information function of accounting and analytical support showed the problem of a rather complicated reception of the full economic information for conducting the predictive analysis, aimed to provide the desired efficiency of the entity's business activity of the venture entity's economic activity. The solution to this problem lies in the necessity to form the concept of accounting and analytical support of venture activity that will include the consolidation in the system of information models of accounting of the objects and entities of venture activity. These actions will make it possible to obtain full economic information for the predictive analysis, aimed at the provision of the desired efficiency of the economic activity of venture activity entities.

The process of decision-making is closely connected to the continuous transformation of the information. Each stage of this process involves the input information is used with the simultaneous formation of analytical initial information, regarded as input at the further stages of making management decisions. The stages of management repeat, thereby setting a closed loop. That is why the management organs face a lot of different information in terms of quantity, amount, and diversity. However, each type of activity and enterprise will have its specific organization of accounting and analytical management support. Hence comes the need to determine the components of the concept of accounting and analytical support for venture activity.

To provide the proper management of the costs with regard to the places of their occurrence, their level, and stimulation of their reduction, which is an important function of the economic mechanism of any enterprise; it is necessary to compare the actual costs with the planned costs according to the prepared estimate. The method of comparison should be used as the most widespread method of analysis, for analytic investigations, the essence of which lies in the comparison of the actual expenses of the reporting period with the planned ones to determine the level of budget execution and the number of deviations. Thanks to such a comparison, one can determine the factors of the resources economy, plan the expenses by their types, stimulate the resources economy, and lower the expenses. One should compare the factual and planned expenses upon the chain components of the development and implementation of the risk project, by the places of occurrence of expenses.

While composing the management report, you take into account that the target goal of the revenue center is the provision of information related to: revenue from sales of the innovative risk project, which is the main source of fund reparation on its adoption and implementation, generation of income and formation of financial resources; the quantity which directly influences on the amount of revenues from sales; and the price.

That is why the form of the management report should include the following information: the figures for a quarter and a full year. Table 1 reflects the report on the implementation of the innovative risk project of the venture enterprise.

The data of the report will help in planning and control of revenues from sales, which is the base for all financial planning of the enterprise activity. It will also help to determine the earnings and the profit, as well as compose the management report of the profit center – the statement of comprehensive income. The revenues from sales are determined through the

method of direct calculation, namely by the multiplication of the number on the cost. The proper revenue planning is of great importance for the proper operation of the enterprise. If the implementation plan is drafted in an economically justified way, and it coincides with the actual volume of revenue from sales, in such a case, the company will have enough cash facilities, required to continue its business activity. If everything is vice versa, then the contrary will face some financial issues that might hinder the proper activity of the company.

| Indicators | Quarter | | | | | | | | Full-year income | | Deviations | |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|----------|------------|-------|
| | I | | II | | III | | IV | | Plan | Fact | +/- | % |
| | Plan | Fact | Plan | Fact | Plan | Fact | Plan | Fact | | | | |
| Revenue from sales, \$ | 2350000 | 2162000 | 2350000 | 2185500 | 2350000 | 2418000 | 2350000 | 2511000 | 9400000 | 92765000 | 123500 | -1.31 |
| Number | 5000 | 4600 | 5000 | 4700 | 5000 | 5200 | 5000 | 5400 | 20000 | 19900 | 1000 | -0.5 |
| Price | 470 | 470 | 470 | 465 | 470 | 465 | 470 | 465 | - | - | - | - |

It must be noted that management accounting is the basis for management decision making in the company. The key task of the profit center is the provision of decision-making on planning the profit of the enterprise, i.e. the development of a system of measures to ensure its formation in the required amount and effective use in accordance with the goals and objectives of the development of the enterprise. That is why the form of management accounting of the profit center might contain the data about the income, regarded as due in the current reporting period (revenues from sales), the expense figures the enterprise faced during this period and information related to profit. This reporting is built on the basis of the reports of the cost center and the profit center. A finance director is a person who is responsible for this document.

The use of information of this report is aimed at the establishing of the prerequisites for maximizing the profit of the enterprise in accordance with the resource potential and market conditions, ensuring the fulfillment of commitments to investors of the risk capital, obtaining venture financing, required for the proper implementation of the enterprise development strategy, ensuring the growth of the market value of the company, and solving of other issues.

RECOMMENDATIONS

The statements of venture investment center are prepared for the internal use and external users, the investors of risk capital. In most cases, they invest in the statutory capital of venture enterprises, counting on significant profit. That is why both the managers of a strategic level of the venture company and the investors *are recommended* to study the information not only about the state of establishment and implementation of a risk project but also the details about the financial state of the company. The venture investment center accounting, such as aggregated financial statements, must reflect the key indicators of the activity of the venture enterprise, used to determine the analysis of the financial state.

CONCLUSIONS

Venture activity is followed by the risks of high grade. That is why its future profit directly depends on the information support of both the management staff of the venture

enterprise and the investors. The informational support of the venture activity requires the establishment of a specific system of management reporting. It must be different from other accounting data in terms of the targets, content, the methodology of construction, and specific internal and external users. It might serve as both an additional source of information and the main source of data for finding the best solutions for push-and-pull answers.

Thus, one built the mechanism of obtaining venture financing to improve the organization and methodology of accounting of venture activity of venture enterprises. One also highlighted the factors of influencing the accounting system of venture activity, determined the objects of analytical accounting of receiving venture financing, held the modeling of accounting of chain constituents in the process of development and implementation of a risk project on the venture enterprise, developing and installing the risk innovative project; and built the system of management reporting as well.

REFERENCES

- Garbowski M., Drobyazko S., Matveeva V., Kyiashko O., Dmytrovska V. (2019). Financial accounting of E-business enterprises. *Academy of Accounting and Financial Studies Journal*, 23(2).
- De Vries, G., Pennings, E., Block, J.H., & Fisch, C. (2017). Trademark or patent? The effects of market concentration, customer type and venture capital financing on start-ups' initial IP applications. *Industry and Innovation*, 24(4), 325-345.
- Dearman, D., Lechner, T.A., & Shanklin, S.B. (2018). Demand for management accounting information in small businesses: Judgment performance in business planning. *International Journal of the Academic Business World*, 12(1), 93-102.
- Drobyazko, S., Hryhoruk, I., Pavlova, H., Volchanska, L., & Sergiychuk, S. (2019). Entrepreneurship Innovation Model for Telecommunications Enterprises. *Journal of Entrepreneurship Education* 22(2).
- Drover, W., Busenitz, L., Matusik, S., Townsend, D., Anglin, A., & Dushnitsky, G. (2017). A review and road map of entrepreneurial equity financing research: venture capital, corporate venture capital, angel investment, crowdfunding, and accelerators. *Journal of Management*, 43(6), 1820-1853.
- Hilorme, T., Shurpenkova, R., Kundrya-Vysotska, O., Sarakhman, O., & Lyzunova, O. (2019). Model of energy saving forecasting in entrepreneurship. *Journal of Entrepreneurship Education*. 2(1S), 2019.
- Hilorme, T., Zamazii, O., Judina, O., Korolenko, R. & Melnikova, Yu. (2019). Formation of risk mitigating strategies for the implementation of projects of energy saving technologies. *Academy of Strategic Management Journal*. Volume 18, Issue 3.
- Meglio, O., Destri, A.M.L., & Capasso, A. (2017). Fostering dynamic growth in new ventures through venture capital: Conceptualizing venture capital capabilities. *Long Range Planning*, 50(4), 518-530.
- Wallmeroth, J., Wirtz, P., & Groh, A.P. (2018). Venture capital, angel financing, and crowdfunding of entrepreneurial ventures: A literature review. *Foundations and Trends® in Entrepreneurship*, 14(1), 1-129.
- Yelisyyeva, O., Nesterenko, S., Drobyazko, S., Abramova, O., Siketina, N. (2019). Strategic model of factoring portfolio of debtors of the enterprise. Proceedings of the 33rd International Business Information Management Association Conference, IBIMA 2019: Education Excellence and Innovation Management through Vision 2020. ISBN: 978-0-9998551-2-6, p: 7504-7514.