Foreign Economic Activity in the System of Accounting and Analytical Management Support

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Abstract. *The article decomposes the foreign economic activity of enterprise through the prism of accounting and analytical support of management. It has been determined that current trends in the development of the domestic and world economy, specificity and peculiarities of activities of individual business entities in the field of foreign economic relations, the need for further development of methodology and methods of accounting and analysis of foreign economic activity, taking into account the objectively arising needs for the development of information support for management, determine the relevance of decomposition of foreign economic activity in the system of accounting and analytical support for management. It is substantiated that the basis for the decomposition of foreign economic activity in the system of accounting and analytical support of management is the concept of the type of activity. The organisation of accounting of foreign economic activity at a particular enterprise is largely determined by the type of foreign economic activity inherent in this enterprise. In the process of production and economic activity, enterprises, as a rule, face several types of foreign economic operations simultaneously. The accounting and analytical aspects of management of foreign economic activity of enterprise are systematised. A model of decomposition of the foreign economic activity of enterprise has been developed. It is proposed that the model of decomposition of foreign economic activity of enterprise should include types of foreign economic activity and accounting and analytical aspects, grouped into blocks: key aspects; characteristics of types of foreign economic activity, organisational and legal conditions, purpose, directions and results of functioning, accounting approaches and basic analytical criteria, performance indicators, structural construction and functioning, etc. The developed model provides for the reflection and determination of performance results by types, subtypes, segments and other classification features of foreign economic activity in order to obtain analytical, detailed, transparent and relevant information based on financial, management and strategic accounting data. Formation of an integrated system of accounting and analysis of foreign economic activity is based on consideration of regulatory, contractual, structural, accounting, analytical, control and software and hardware support of foreign economic activity.*

Keywords: *foreign economic activity, types of foreign economic activity, accounting and analytical system, management, organisational, information and accounting and analytical management technologies.*

JEL Classification: *G3, M21, M41, R20*

1 Introduction

The current conditions for the development of international economic relations are characterised by the intensification of international economic integration, internationalisation of business in all directions, growth of networks, information systems and technologies, which places increased demands on accounting and analytical support for

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the management of foreign economic activity of domestic business structures. The foreign economic activity (FEA) of enterprises is characterised by several forms of its implementation: from foreign trade operations, investment cooperation, production cooperation, scientific and technical cooperation, financial activities to the service sector. In this regard, there is a need to detail information, reflect, define and evaluate results by types, subtypes, segments, areas of strategic activity, and other classification features of foreign economic activity in the system of financial, management and strategic accounting to ensure the efficiency of the functioning of domestic organisations participating in foreign economic activity. The implementation of foreign economic activity to a greater extent initiates the process of transition to international financial reporting standards (IFRS) and determines the relevance of using the international financial accounting model as one of the main methodological and methodological conditions for the transition to a single international information economic space to improve information support for business management and its active functioning in foreign markets. All this implies the need for theoretical and methodological substantiation and development of a complex of methodological support for accounting and analysis of foreign economic activity using engineering approaches, procedures and mechanisms: tools of accounting, analytical, audit engineering, structured working plans of accounts, automated methods in the form of computer programs in the system of financial, managerial, strategic accounting and analysis, which will help to improve the management, control and forecasting functions of the accounting and analytical system in the organisation. These positions determine the relevance of the chosen direction of research.

The aim of the study is to decompose the foreign economic activity of an enterprise as an object of management of the accounting and analytical support system. Achieving this goal is based on the scientific solution of the following problematic issues:

– To identify the categories and components of foreign economic activity in the system of accounting, analysis and control of an enterprise;

– to develop a model of decomposition of accounting and analytical support for management of foreign economic activity.

The research methodology was based on the study, synthesis and critical evaluation of the accumulated knowledge in domestic and foreign theory and practice, substantiation and development of models, standards and methods of managing foreign economic activity through the prism of accounting and analysis. During the study, the following general scientific methods of cognition were used: analysis and synthesis, deduction and induction, systematicity and complexity, scientific abstraction, formalisation and modelling, logical and situational approaches.

2 Accounting and Analytical Aspects of Foreign Economic Activity as a Basis for its Decomposition in the Management System

Modern trends in the development of the domestic and world economy, specificity and peculiarities of the activities of individual business entities in the field of foreign economic relations, the need for further development of the methodology and methods of accounting and analysis of foreign economic activity, taking into account the objectively arising needs for the development of information support for management, determine the relevance of decomposition of foreign economic activity in the system of accounting and analytical support for management.

Consideration of foreign economic activity through the prism of the accounting and analytical management system is determined by accounting characteristics (structured chart of accounts, accounting policy, analytical accounting system, accounting currency), types of accounting and analysis of foreign economic activity (financial, managerial, strategic), control support and relevant engineering accounting tools.

The basis for the decomposition of foreign economic activity in the system of accounting and analytical support of management is the concept of the type of activity. The organisation of accounting for foreign economic activity at a particular enterprise is largely determined by the type of foreign economic activity inherent in that enterprise. In the process of production and economic activity, enterprises, as a rule, face several types of foreign economic operations simultaneously (Hutsalenko & Marchuk, 2018). A sign that identifies a type of foreign economic activity is the movement of goods, works, services, information, intellectual property, financial assets, etc. across the border to create added value for the enterprise. At the same time, any type of foreign economic activity can be grouped by the similarity of operations carried out to solve the same type of tasks: production, works, services, trade, capital investments, research and development, etc. The processes of economic globalisation, internationalisation of FEA and servitisation of the economy have mediated a state of FEA in which foreign trade, although still an important component of FEA, is significantly

inferior in volume, turnover and profit to such new types of FEA as production cooperation (know–how exchange), international investment cooperation, foreign exchange and credit operations, and the international services sector.

The elements of foreign economic activity may include direct and portfolio investments, services, export–import transactions, commodity flows, capital flows, information technologies, production agreements, and financial transactions (Kononov, 2020).

These classifications of types of FEA are determined primarily by macro- and mesoeconomic factors in the division of foreign economic relations of a country or region, and not by the economic needs of a particular enterprise.

The allocation of types of foreign economic activity at the micro level is due to the structural homogeneity of the company's foreign economic relations, the need to separately determine the financial result and its reflection in the income statement, the assessment of the most profitable types of foreign economic activity, industry – specific features of the company's activities, and the increase in transparency of the company's activities. The allocation of types of foreign economic activity is based on the principle of functional expediency, according to which the existing infrastructure structures mediate the implementation of the relevant types of foreign economic activity.

The authors' position is to study foreign economic activity as a set of different types and subtypes of activity.

The study of several scientific sources (Boldovska, 2022; Hordopolov, 2018; Koliesnichenko, 2020; Koval, 2020; Oliadnichuk & Pidlubna, 2017; Voskresenska & Viniarskyi, 2024) allowed systematising the following accounting and analytical aspects of management of foreign economic activity of an enterprise:

– The purpose of functioning within the framework of various areas of accounting (financial, managerial, strategic and operational);

– organisational structure (operating segments, geographical segments, cost centres, responsibility centres, value chain, internal and external management functions);

– sunk cost concept (determination of results by type of activity implies a focus on the future);

– accounting approach (income/expenses, assets/payables, funds/net liabilities);

– specific systems of identifiers that characterise the segment;

– analysis of activities;

– the possibility of organising control based on the use of the mechanism of accounting control points and zero balances.

– homogeneity (similarity of behaviour in solving the same type of tasks), the homogeneity principle should at least include: production, services, works, capital investments, research and development;

– the choice of variables and their use (maximising the variability of external groups and minimising the variability within the group);

– the ability to draw up functional and cost plans (control calculations can be controlled only if planned data are available;

– strategic segmentation based on risks.

In addition, the accounting and analytical aspects of an enterprise's FEA are determined by many factors: type and form of FEA; nature of economic specialisation of the enterprise; share (volume of FEA) in the joint activities of the enterprise; organisational structure of FEA; forms of organisation of the foreign economic service at the enterprise; information support of FEA; state regulation of FEA; information needs of management; information systems and technologies used; motives and needs that encourage participation in the international division of labour; degree of internationalisation.

Any type of foreign economic activity should be based on an organisational structure (segmentation of the enterprise's foreign economic activity), which determines the aspect of using appropriate accounting approaches (income/expenses, assets/payables, funds/net liabilities), mechanisms, tools and indicators.

It should be noted that the basis of foreign economic operations are transactions – operations related to the conclusion and implementation of foreign economic contracts. Most scholars (Zadorozhnia & Paranytsia, 2020; Tytenko & Bohdan, 2020; Hutsalenko & Marchuk, 2018) define an activity as a unit of work or task that contains a specific goal; an approach that allows to describe and evaluate the result of using the organisation's resources and the functioning of its employees.

Given the potential ability of the enterprise to improve its performance, which, in turn, is possible due to improved management of activities, it is necessary that the organisation collects and analyses information on the types of activities:

– Determining, accounting for and analysing the effectiveness of results by type of foreign economic activity;

– identification of key economic indicators and processes;

– assessing the creation of added value for the organisation and determining its core competence.

The management of the organisation's foreign economic activity is based on the identification and use of the company's core competence.

The model of decomposition of the enterprise's foreign economic activity should include types of foreign economic activity and accounting and analytical aspects, grouped into blocks: key aspects; characteristics of types of foreign economic activity, organisational and legal conditions, purpose, directions and results of functioning, accounting approaches and basic analytical criteria, performance indicators, structural design and functioning, etc.

3 Model of decomposition of foreign economic activity as an object of management in the accounting and analytical system of enterprise

Based on the above provisions, the model of decomposition of foreign economic activity as an object of management in the accounting and analytical system of an enterprise will look like this (Figure 1).

The model is decomposed into 13 organisational, information, accounting and analytical technologies for managing the foreign economic activity of an enterprise and is focused on the following types of foreign economic activity: foreign trade; financial; investment; innovation; production; project; joint; information services; capital investments; leasing;

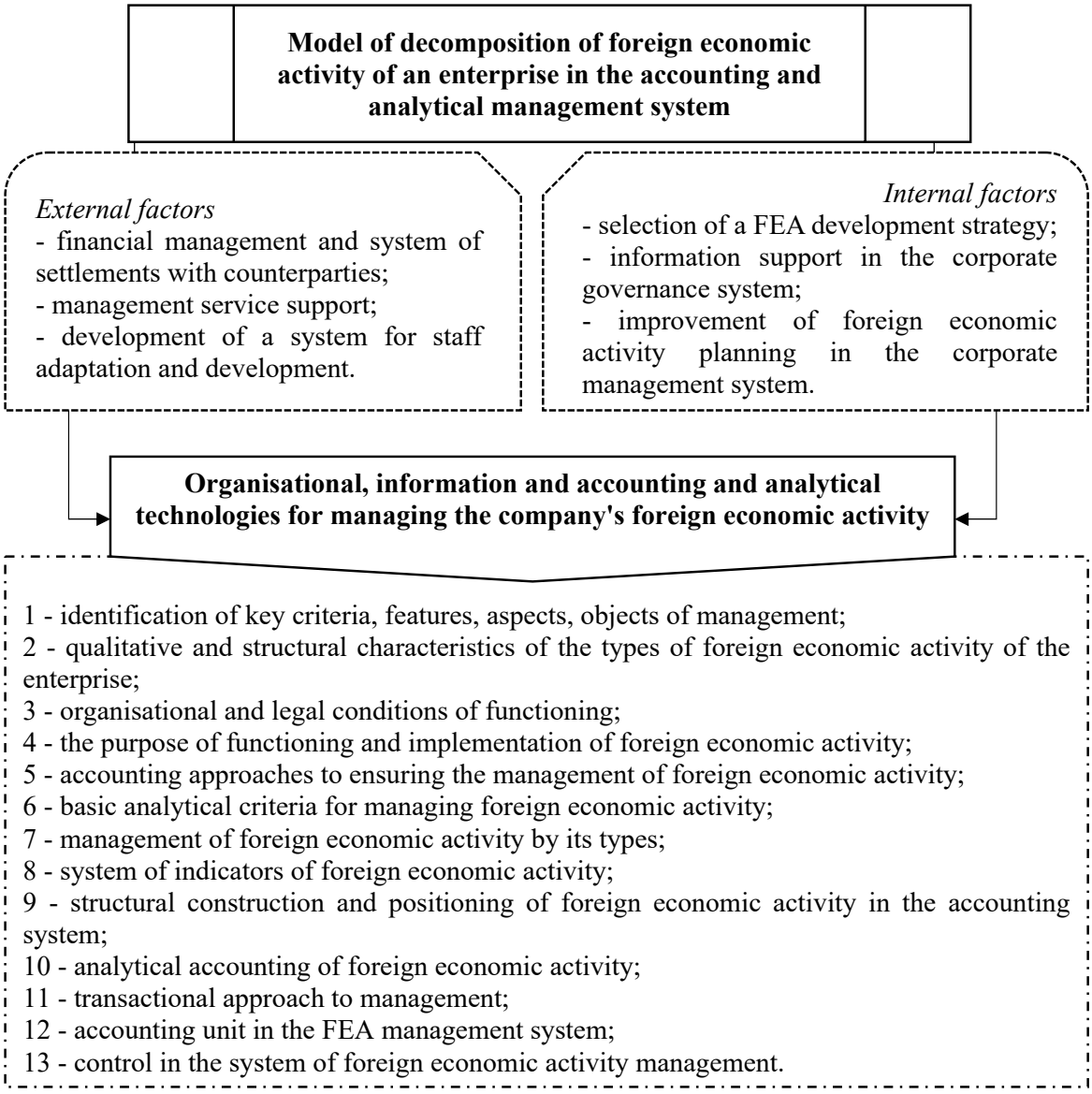


Figure 1 Decomposition of foreign economic activity as an object of management in the accounting and analytical system of an enterprise

Source: developed by the authors'

sponsorship; outsourcing; tourism; construction; transport; education; service; intermediary.

The first block presents the key feature of the types of foreign economic activity of an enterprise as a set of production and economic, organisational, economic and commercial functions of an enterprise in terms of commodity, financial, investment, information and other flows across borders.

The second block of the model defines the characteristics of the types of foreign economic activity for which separate accounting is organised:

– Qualitative – in terms of the ability to create added value: types of foreign economic activity that add value, that add value caused by a qualitative mismatch

– structural characterisation by types and forms of FEA from the point of view of homogeneity, i.e. similarity of behaviour in solving the same type of tasks: production, works, services, trade, capital investments, research and development.

The third block of the model is represented by the organisational and legal conditions for the functioning of types of foreign economic activity:

– National legislative norms of contracting countries;

– norms of international relations;

– rules of commercial activity of developed countries.

The fourth block is the purpose of the functioning of the types of foreign economic activity aimed at the efficient use and development of foreign economic resource potential to achieve performance in accordance with the established rules.

The fifth block of the model is represented by accounting approaches that allow determining the financial result for certain types of foreign economic activity:

– The "income/expenses" approach allows determining the financial result by comparing income and expenses by type of foreign economic activity;

– the "assets/payables" approach involves comparing the valued property and liabilities to determine the value of net assets using the formula "Assets – Liabilities = Equity";

– the cash/net liabilities approach involves considering a variety of situations adapted to the specific conditions of foreign economic activity and reaching an adequate value of net liabilities: the management system is based on the use of factors affecting property and provides for the conditional sale of assets and satisfaction of liabilities in the assessment required for decision–making.

The sixth block identifies usefulness and efficiency as the basic analytical criteria for types of FEA. In accordance with the criterion of usefulness, all types of foreign economic activity can be divided into those that add value, the elimination of which will lead to a decrease in the value of the product (work, service) for the client in the long term; those that do not add value, which provide an opportunity to reduce costs without reducing the potential benefits of the product (work, service) for the client. The strategic cost accounting system to produce a product should formally confirm the need to constantly review which activities really add value to the customer and how to carry out these activities with maximum efficiency.

The seventh block of the model defines the mechanism for managing types of foreign economic activity in the form of a process based on the analysis of activities and consisting of five steps: identification of process objectives, description of activities, classification of activities, continuous process improvement and elimination of those activities that cost more than their value.

The eighth block defines performance indicators that identify and depend on the relevant segment of foreign economic activity: income, expenses, results; assets, liabilities, net assets. To determine these indicators by type of foreign economic activity, the following conditions must be met:

– The accounting policy for foreign economic activity in general should correlate with the accounting policies for different types and subtypes of foreign economic activity of the organisation;

– revenues, expenses and results are determined for each type of foreign economic activity for comparable periods of time;

– the correspondence of income to expenses should be compared for each type of foreign economic activity;

– determination of indicators for certain types of foreign economic activity: assets, liabilities, net assets, net liabilities.

Each segment of the foreign economic activity has a certain set of assets used in its area of activity, liabilities arising in connection with this area, generates income and expenses with the determination of the final financial result and efficiency of the activity.

The ninth block of the model defines the structural construction and positioning of foreign economic activity based on a structured chart of accounts, a system of subaccounts and analytical positions that allow to reflect the peculiarities and specifics of foreign economic activity.

The tenth block of the model defines managed sub–accounts and analytical positions at the level of which the specifics of the presented types of foreign economic activity are reflected:

– Sub–accounts of synthetic accounts of income, expenses and results: types of foreign economic activity, subtypes of foreign economic activity, marketing directions, external segments, market segments, internal segments, directions of strategic activity, value chain, pricing functions;

– analytical items: business units, structural divisions, responsibility centres, cost centres, functions, products, counterparties, customers, contracts, delivery terms, types of expenses, contract currency.

– transactional derivative balance sheet: sections of the structured chart of accounts.

The eleventh block of the model is represented by a transaction, i.e. a transaction related to the conclusion and implementation of foreign economic contracts. The concept of transaction value in connection with the conclusion and execution of foreign economic contracts is the basis for assessing the effectiveness of foreign economic contractual relations.

The twelfth block of the model describes how the accounting unit determines the accounting batch as an element of the contract, its actual realisation on a certain date. The allocation of an accounting batch as an accounting unit is since not all contracts can be fulfilled in the form of a single shipment of goods. The effect of allocating an accounting batch is to break down the total amount of the contract monthly over the contractual term during which it is expected to be closed.

The thirteenth block of the model defines a control mechanism for ensuring the efficiency of the use of foreign economic resource potential by type of foreign economic activity based on the use of zero balances, accounting and control points and linking indicators: assessment of the expected result; monitoring of indicators; exceeding the indicators of the previous period; exceeding the indicators of the current period; determining deviations; ensuring compliance with the lower limit, etc.

4 Conclusions

Thus, the model of accounting and analytical support for the management of foreign economic activity is based on the concept of the type of activity, which provides for the reflection and determination of the results of functioning by types, subtypes, segments and other classification features of foreign economic activity in order to obtain analytical, detailed, transparent and relevant information based on financial, management and strategic accounting data. Formation of an integrated system of accounting and analysis of foreign economic activity is based on consideration of regulatory, contractual, structural, accounting, analytical, control and software and hardware support of foreign economic activity.

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