

**Strategies for sustainable  
socio-economic development  
and mechanisms their  
implementation in the global  
dimension**

**Collective monograph edited by  
M. Bezpartochnyi**

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The authors of the book have come to the conclusion that it is necessary to effectively use modern approaches to developing and implementation strategies of sustainable socio-economic development in order to increase efficiency and competitiveness of economic entities. Basic research focuses on assessment of effectiveness the investment projects, use of cluster analysis the innovative activity of regions, formation and use of financial resources, competitiveness management and use of modern methods sale of the goods, effectiveness the activities of territorial communities. The research results have been implemented in the different models and strategies of project-oriented resource management, state management of development of territorial communities, implementation of the concept inclusive oriented economic development, efficient functioning and development of electric power enterprises, agricultural production, tourist industry, lifelong learning concepts. The results of the study can be used in decision-making at the level the economic entities in different areas of activity and organizational-legal forms of ownership, ministries and departments that promote of development the economic entities on the basis of models and strategies for sustainable socio-economic development. The results can also be used by students and young scientists in modern concepts and mechanisms for management of sustainable socio-economic development of economic entities in the condition of global economic transformations and challenges.

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## INTRODUCTION

Permanent changes in world market conditions, institutional and structural transformations of the national economy of the world countries require the development of strategies for sustainable socio-economic development through appropriate programs, plans and projects to improve, increase the efficiency and development of economic entities, introduce innovations and develop new products and services. Ensuring sustainable socio-economic development of economic entities is impossible without improving the relevant mechanisms of activity and practice of developing a management system.

To ensure sustainable socio-economic development of economic entities in modern conditions of activity the necessary basis is the effective formation and use of resource potential and the intensification of innovative processes. The effectiveness of sustainable socio-economic development of economic entities is determined by the ability of the management system to influence all business processes of the enterprise and coordinate its internal capabilities with environmental challenges in order to ensure competitiveness based on the developed strategies and their realization in the global dimension.

The purpose of writing this collective monograph is to substantiate the theoretical-methodological foundations and formulate strategies for the sustainable socio-economic development of economic entities in the global dimension taking into account transformational changes in the international economic environment.

The object of the author's research was the process of formation and realization of strategies for the sustainable socio-economic development of economic entities under resource constraints, the specifics and trends of the development of economic entities under the influence of global competitiveness factors, the generalization of world experience in implementing the respective development strategies.

The subject of research was the socio-economic and institutional processes of formation and effective implementation of strategies for sustainable development of economic entities; the formation of mechanisms for managing the resource potential of economic entities; the use of modern economic-mathematical models for the development of economic entities; increasing the innovative potential of the development of economic entities; consideration of the practical aspects of development management and introducing the innovation in various sectors of the economy.



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**COMPARATIVE  
REVIEW OF THE  
CONCEPTUAL  
FRAMEWORK'S  
STRUCTURE**

The Conceptual Framework for Financial Reporting was developed to provide guidance to **the International Accounting Standards Board** – to assist the development new and revising existing standards based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors; **the national regulatory authorities** – to develop accounting standards; **the preparers of financial reports** – to apply IFRS on practice, for example, auditors – when forming an opinion on compliance of financial statements with international standards, or to develop consistent accounting policies for a specific transaction or event where no Standard is applicable or Standard allow a choice of accounting policy; **the users** – to understand the financial statements and interpret Standards; **all persons** who are interested in IASB activities (Kesjan and Mullinova, 2017). This document is not part of IFRS but is directly related to them. The Conceptual Framework is rarely the main point when analyzing financial statements, and yet it is at the heart of every accounting standard ensuring consistency of terminology, recognition, and measurement (Rodgers, 2007). Everyone must learn this document before beginning to work with any IFRS or IAS. The Conceptual Framework contains a comprehensive set of concepts for presenting and preparing financial statements, creating and interpreting IFRS. In other words, the Conceptual Framework is the foundation of new accounting standards because this document resides in providing structure to the standard-setting process and to provide fundamental concepts and a common set of terms and premises that financial accounting standards are based upon (Gore and Zimmerman, 2007). The purpose of a Conceptual Framework for financial reporting is to ensure that financial accounting standards are “consistent with a unified theory of accounting” (Gore and Zimmerman, 2007, p. 30). Despite the stated importance of the Framework the accounting community could not have the one globally accepted framework. Given the purpose and importance

of the Framework, a global Conceptual Framework could assist the IASB in achieving their mission “to develop a single set of high-quality, global accounting standards that are accepted worldwide” (Barth at al., 2008, p. 1161). The need and search of a single set of global accounting standards and a global Conceptual Framework are well documented (Barth at al., 2008; Zeff, 2010). However, the general consensus within FASB and IASB is that the Conceptual Framework fails to achieve the stated intended purpose. The current status of the Framework does not reflect the specified importance and purpose as is clear in the statement from the IASB (IASB, 2010), A19: “*This Conceptual Framework is not an IFRS and hence does not define standards for any particular measurement or disclosure issue. Nothing in this Conceptual Framework overrides any specific IFRS*”. The Conceptual Framework is thus in status lower than IFRS because if you wish to decide on the financial reporting of certain transactions, you need to look into the appropriate standard first, IFRS or IAS. Sometimes, it may even happen that the rules in that IFRS or IAS standard will be contrary to what the Framework says. Even in cases where there are conflicts between the Conceptual Framework and IFRSs the IFRS prevails over the Conceptual Framework (IASB, 2010). The paper has a deep literature analysis of different researchers’ and scientists’ opinions in this field in Section 3. There are considered the main reasons of impossibility to have a common global Conceptual Framework.

According to the mission of the International Association for Accounting Education and Research (IAAER), it is must “*promote global excellence in accounting education and research, and to maximize accounting academics’ contribution to the development and maintenance of high - quality, globally recognized standards of accounting practice*” (AAA, 1936). This paper reports on interpretive research to understand the major changes in the Framework in 2018 which are including comprehensive changes to a previous document issued in 1989 and partly revised in 2010. The previous Conceptual Framework (2010) was criticized for its lack of clarity in the role of measurement uncertainty, the exclusion of some important concepts as guidance on measurement, presentation and disclosure, and for being outdated in terms (an asset and a liability) of the IASB’s current thinking. The revised Conceptual Framework (2018) took effect immediately for the IASB and the IFRS Interpretation Committee; annual periods beginning on or after 1 January 2020 for preparers who

develop accounting policies based on the Conceptual Framework (IFRS, 2018). While revising the Conceptual Framework, the IASB sought to reinforce high-level concepts with sufficient details to develop standards and help to interpret the standards. The paper has also analytically reviewed the new structure of the Conceptual Framework of March 2018, particularly the content changes as the updated definitions and recognition criteria for assets, liabilities and clarify some important concepts, and the effects of the major changes to some implications towards future direction of financial reporting.

All attempts to make international accounting standards closer, to build a global conceptual framework have positive and negative results. On one side (negative), the conflicts between FASB and IASB cause every time not only the structural changes in the two conceptual frameworks of the IASB and the FASB but also make changes in accounting standards, some meanings, and names of definitions. To figure out the reasons for these disagreements, the relevant articles with the opinions of scientists have been reviewed. In short, the following of them have been highlighted:

Firstly, the reasons are connected to CF's respective historical developments considered here. The main of these are going to be identified: (1) the presence of other more urgent issues in IFRS, (2) the changed priorities while the long period of time. The different priorities were also due to the influence of legal organizations such as the SEC. Historically the boards of FASB and the IASB (3) maintain their own existing literature and deal with their own respective legacy standards and conceptual frameworks (Barth et al., 2008).

Secondly, two different boards are under different political pressures (Barth et al., 2008). Deegan (2014) wrote that the legal/regulatory system of a country also contributed towards differences between financial reports, while Zeff called main reason of this the law enforcement.

Thirdly, the cultural reasons are cited to be the main contributing factor for differences between reports based on the same accounting standards (Macías and Muiño, 2011; Deegan, 2014). While the time the Boards have developed various styles of setting standards over the years regarding the levels of detail guidance provided by the Boards (Barth et al., 2008).

Fourthly, the language can also give different interpretations of terminology issues it can be considered as obstacles to converge accounting standards and can play a big role while refining the CF's

intended purpose. Besides the language barrier, Nodes (2014) summarized 17 reasons as external sources of influence.

Finally, context of the demand for a CF from an information economics perspective, the focus of the CF of financial reporting must also be the comparative advantage of accounting (which always produces information late in a decision process) over other, perhaps more timely, information sources (Christensen, 2010; Swapan, 2012).

All of these given above scientific opinions make our hypothesis that the disappointments between FASB and IASB will make new changes into the Conceptual Framework for financial reporting not only once in the future. All external environment reasons as culture, language, law enforcement as well as the policy will lead to international differences in IFRS interpretations, international accounting differences that will be shown into the contents of the CF. It confirms completely hypothesis (Nobes, 2014) even if the same financial accounting standards will be existing, the differences between financial reports may occur within given above reasons.

On another side (positive), all attempts to make international accounting standards closer and develop a unified Conceptual Framework gave also positive results. As evidence, there is the research of Kaminski and Carpenter (2011) the four active phases of the CF project of the IASB and the FASB for approximately six-years until July 2010. The results of their study indicate reducing the differences between the existing projects of frameworks. The scientists predicted the resulting new and improved conceptual framework will be the basis for the development of principles-based standards that are internally consistent and internationally converged (Kaminski and Carpenter, 2011). As stated by Cullen (2005), the common Conceptual Framework of the IASB and the FASB was necessary to make the accounting standards “principles-based”, because they could not be a set of conventions, but must be rooted in fundamental concepts. Consequently, the fundamental concepts would be the CF for standards on various issues to harmonize the financial accounting and reporting (Bullen and Crook, 2005). Johnson cited “*a conceptual framework provides the unity and consistency that is required and along with that, the direction and means to help in making those decisions. Without a set of unified concepts, standard setters are like a ship in a storm without an anchor.*” (Johnson, 2004). According to Pounder (2010), CF’s concepts tend to be “general in nature, broad in scope, and stable over time”. Therefore, he argued, in order to eliminate the need to restore core concepts every

time when it develops or updates, it needs “*by consistently referring to a stable conceptual framework, a standards setter is more likely to promulgate standards that are consistent with each other as well as with significant assumptions and constraints.*” (Pounder, 2010).

Therefore, all existing opinions of scientists and professionals in the field of accounting are of course very valuable and, they deserve scientific attention and respect. But the Conceptual Framework will still remain a relevant issue, incomplete and requiring constant updates, keeping pace with the times. This document, regardless of religion, politics, different cultures or countries, will change due to changes in the time and needs of users, organizations, and global business. Our opinion remains outside of any of the causes or consequences mentioned above. Of course, the language gives the problems in the interpretations of the accounting terms. But as Deegan (2014) noted: “the standardization of accounting standards will not necessarily lead to standardization in practice.” (Deegan, 2014), because even if the international accounting standards are the same, anyway differences into the cf will appear over time.

### **Comparative Review of the Conceptual Framework’s Structure**

To consider a detailed comparison of changes in the structure of the Conceptual Framework for financial reporting over the years 1986-2018, a tabular method that can clearly show us the main changes in the content of the document, in its main parts and the content has been used. It was used the article (Swapan, 2012) as a basis, but with adding new changes in 2018. Next, each chapter in detail and the main changes in it using our own research method will be examined. As you can see, the comparative table of the IASB’s Framework for the Preparation and Presentation of Financial Statements issued on July 1989, the conceptual framework for financial reporting issued on 28 September 2010 and the Conceptual Framework for Financial Reporting issued on 28 March 2018, is shown in Table 7.3.

Comparing the structure of two previous Frameworks, it is able to observe the revised Framework is changed completely, including volume, amount chapters, and its placement. If to calculate the number of paragraphs of the three Frameworks, the body of the old Framework (1989) contains corresponding 105 paragraphs in total, whereas the Conceptual Framework of 2010 contains 4 chapters, 125 paragraphs in total (Chapter 1 – 21, Chapter 2 – 39, and Chapter 4 – 65). And the

Table 7.3

**Comparative Analysis of Conceptual Framework's 1989, 2010 and 2018**

Framework for the Preparation and Presentation of Financial Statements		The Conceptual Framework for financial reporting		The Conceptual Framework for financial reporting	
1	2	3	4	5	6
<b>July 1986</b>	Para	<b>September 2010</b>	Para	<b>March 2018</b>	Para
<b>Preface</b>	1-4	Introduction		Status and purpose	SP1.1 - SP1.5
Purpose	5	Purpose			
Scope	6-8	Scope			
<b>Users and their information needs 9-11</b>		CHAPTERS		CHAPTERS	
The objective of financial statements	12-21	1 The objective of the general-purpose financial reporting	OB1-OB21	1 The objective of the general-purpose financial reporting	1.1-1.23
—	—	2 The reporting entity <i>to be added</i>		<i>It is added to Chapter 3</i>	
Qualitative characteristics of financial statements	24-46	3 Qualitative characteristics of useful financial information	QC1-QC39	2 Qualitative characteristics of useful financial information	2.1-2.43
—	—	4 The Framework (1989): the remaining text		3 <b>Financial statements and the reporting entity</b>	3.1-3.18
Underlying assumption	22-23	Underlying assumption	4.1	—	—
The elements of financial statements	47-81	The elements of financial statements	4.2-4.36	4 The elements of financial statements	4.1-4.72
Recognition of the elements of financial statements	82-98	Recognition of the elements of financial statements	4.37-4.53	5 Recognition and <b>Derecognition</b>	5.1-5.33

Table 7.3 (continued)

1	2	3	4	5	6
Measurement of the elements of financial statements	99-101	Measurement of the elements of financial statements	4.54-4.56	6 Measurement	6.1-6.95
—	—	—	—	<b>7 Presentation and Disclosure</b>	7.1-7.22
Concepts of capital and capital maintenance	102-110	Concepts of capital and capital maintenance	4.57-4.65	8 Concepts of capital and capital maintenance	8.1-8.10

Source: based on (IASB, 2010d); (IASB, 2010b: B1709-B1733); (Swapan, 2012); (CF, 2018)

Conceptual Framework of 2018 contains 8 chapters, 320 paragraphs (Chapter 1 – 23, Chapter 2 – 43, Chapter 3 – 18, Chapter 4 – 72, Chapter 5 – 33, Chapter 6 – 95, Chapter 7 – 22, Chapter 8 – 10). Besides chapters, the revised Conceptual Framework has a separate accompanying document “Basis for Conclusions on the Conceptual Framework for Financial Reporting” that summarizes the Board’s considerations and consists of the revised references to the Framework. Together with this, the IASB has also issued a separate document “Amendments to References to the Conceptual Framework in IFRS Standards” which sets out amendments to Standards for updating references to the CF. Particularly, the document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC (International Financial Reporting Interpretations Committee) 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 *Intangible Assets* (IASPlus, 2018). But these amendments include explicit references in some Standards or to the previous version, or to the revised version of the Conceptual Framework; or they indicate that definitions in the standard have not been updated with the new definitions in the revised Conceptual Framework. By the Board’s assumption, the amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort (IASPlus, 2018).

In most cases, the Standards simply update references to the revised Conceptual Framework. However, there are two exceptions: the first one is for IFRS 3 Business Combinations and the second one is for IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The

exceptions mean a concept use of the previous, rather than the revised, Conceptual Framework. The IASB's goal of both exceptions was to assess how IFRS can be updated without unintended consequences. According to the first exception, acquirers are required to apply the old version's definitions of an asset and a liability, to the second exception, entities are required to use the old version's rules when developing accounting policies for regulatory account balances, this avoids entities revising those accounting policies twice within a short period: once for the revised version of the Framework and again for a revised Standard (IFRS, 2018, p 15).

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## CONCLUSION

In the context of global changes one of the most important factors for the successful functioning of economic systems is the formation and developing of a strategy for the sustainable socio-economic development of economic entities. The transition to a model of sustainable socio-economic development largely depends on the existing potential of expanded reproduction of the resource base, socio-economic recovery on a new institutional and technological basis. The experience of advanced countries and the consequences of structural and systemic restructuring of most segments of the economy indicate that real shifts in the direction of creating the prerequisites for the sustainable development of economic systems are possible only if building up not only production, but also natural resource, demographic, scientific, technical, recreational, information and socio-cultural potential. That is, we are talking about all the components of socio-economic potential, as well as the human factor and institutional changes in the system of economic relations when choosing priorities for the transition of national and regional economic complexes to a model of sustainable development.

The results of the author's research in a collective monograph are devoted to solving the problems of formation and implementation of strategies for the sustainable socio-economic development of economic entities and the mechanisms for their realization in the global dimension based on the implementation of modern innovations and managerial decisions.

An important component of the collective monograph is the developing of basic principles, approaches and strategic directions for rationalizing all components of use the resource potential of economic entities in the context of increasing the efficiency of using the socio-economic potential of sustainable development based on an assessment of self-sufficiency the economy.

The presented results of the research in a collective monograph reflect the theoretical and practical aspects of the implementation of mechanisms for the realization of strategies for sustainable socio-economic development of economic entities in different sectors of the economy.

It has been established that ensuring the effectiveness of the formation and realization of strategies for the sustainable socio-economic development of economic entities in the context of global changes is based on improving the process of management the innovative development of an enterprise.

Sustainable development of a socio-economic system is its ability to reduce the negative influence of external and internal environmental factors on the processes occurring in it, using structural and qualitative changes of the system as opportunities to realize additional competitive advantages, while keeping the progressive nature of development and maximizing the full realization of the system reserves, expressed in the internal potential.

The goal of management the sustainable development of an enterprise as a socio-economic system should be to ensure a state of internal equilibrium and balance of interchange with the external environment, which will contribute to the optimal adaptation of the system (enterprise) to the external environment and create conditions for continuous development.

The results of the research indicate that an important aspect of the transition of the economy to the principles of sustainable development is the formation of organizational-economic mechanism for management of sustainable development processes as part of the overall system of development management in general.

Formation and further realization of the approach to the management of socio-economic systems are largely dictated by the use of traditional and conventional economic development factors, which have lost not only their importance, but also efficiency, and the necessary force of action.

Traditional management methods are not effective enough in a dynamic external environment. Sustainable socio-economic development implies the alignment of the short-term goals and interests of different groups and individual entities with the long-term strategic goals determined by the requirements of internal development.

Ensuring sustainable socio-economic development requires investment in the creation of new technologies, first of all, the emergence of social innovations, changing priorities and goals of civilization development. In the context of globalization, dynamism of external and internal processes, there is a need for a fundamental understanding of management theory in the conditions of transition to the principles of sustainable socio-economic development and the formation of ecological systems, as well as the development of theoretical-methodological provisions and methods of management in modern conditions.

The mechanism of sustainable socio-economic development is a set of organizations, institutions, forms and methods for harmonizing interests at different hierarchical levels, ensuring balanced and proportional development of subsystems within sustainable development and

preserving the integrity of the socio-economic system. The specificity of function the mechanism for management of sustainable socio-economic development is that the actions of the management entity are always determined by both the laws of social development and the laws of nature. Methodology management of sustainable socio-economic development should be a comprehensive, coordinated approach to the assessment, regulation and planning of measures to ensuring sustainable socio-economic development in modern conditions under the influence of external and internal factors.

The high variability and dynamism of the market environment necessitate the introduction of measures at the enterprises aimed at maintaining the stability, adaptability and flexibility of functioning. However, the need to maintain a high level of competitiveness of national enterprises in the world market necessitates their sustainable development, which can be defined as balanced quantitative, structural and qualitative changes that meet the goals of the enterprise and take into account the constraints imposed by the external environment and potential of the enterprise. Sustainable development is possible only through the formation of an appropriate management mechanism, which should be understood as an integrated system of organically linked economic, organizational, social, financial and other forms and methods of management, ways, tools and levers of influence on the processes of functioning, which meet the parameters of the internal and external environment, restrictions and conditions of economic activity. The creation of such a mechanism should be based on the principles and methods of developing and realization of management decisions, certain objects and entities of development management, the well-defined management functions, selected structural elements of the mechanism and the considered features of their use.

A prerequisite for ensuring the progressive development of the enterprise is the choice of a rational strategy, which should ensure the improvement of the conditions of operation of the enterprise, ensure the full use of available resources and opportunities and, as we approach the boundary of the field of sustainable functioning, ensure the transition to a new qualitative state, thereby ensuring the correlation of evolutionary and revolutionary model development.

The process of innovation implementation and the realization planned of the enterprise transformation processes must be pre-planned and managed, which is possible in order to create an optimal change program. Its development should be based on the parameters of changes in the

work, certain variants of realization of the developed program and approaches to carrying out transformations, the proposed method of allocating resources for the program of development and taking into account the presented system of limitations.

Effective realization of the chosen strategy, conducting transformational changes, reduction of structural tension and overcoming of personnel resistance to innovations are possible only on condition of involvement of employees of the enterprise in participation in current management and establishment of strategic alternatives of development, expansion of processes of self-organization.

On the whole, the authors of the collective monograph have come to believe that in the current conditions, innovation and knowledge should become the main factor of economic growth. Ensure of sustainable socio-economic development will help to formulate an appropriate scientific-innovation policy in line with the strategy of sustainable socio-economic development of economic entities, which will ensure competitiveness in the conditions of globalization.

# **Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension**

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