

7. ECONOMIC SECURITY OF BUSINESS ENTITIES

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INTERNAL DOCUMENTARY CONTROL SYSTEM OF ECONOMIC AGENTS AS A FACTOR OF BUSINESS ECONOMIC SECURITY

Considered and studied internal documentary control system of economic agents as a factor of business economic security. Proposed a matrix of internal documentary control system of economic agents. Investing the basic standards of documentary control to be used in the enterprise.

Key words: *internal documentary control system, documentary control, business economic security, standards.*

There is an enormous amount of approaches to determine the concept of an enterprise, but all they have the following similar concept: an enterprise is an association of people organized for the achievement of a certain goal. Depending on their history and connection with the state enterprises can be divided into three groups (sectors) [1,9].

The first sector includes enterprises directly connected with the state – having both legal dependence (through the share in capital) and factors of production (especially through the fixed and current assets). These enterprises are called as a “pare country” or as a “state archipelago”.

The control of this group is usually “cut up” among the affiliated enterprises (offshore enterprises). The chain of offshore enterprises is arranged so that real proprietors in general are absent in some registers of proprietors. Management is provided by the hired managers after having the orders of real proprietors [2,3,8].

The second group of enterprises consists of having no prospects productions from the point of view of leading “clans”. Mainly, they are former enterprises of military-industrial complex. Here entrepreneurship as an innovative activity is practically absent, and management is characterized by insufficient professionalism of market criteria (knowledge of marketing, ability to manage finances, sales of enterprises and others). So, these enterprises are not “liquid commodities” at the market of corporate control. Afterwards they join the first or third sectors [5].

And, finally, the third sector is represented by the real market enterprises based on entrepreneurship and competition (“new” sector). They include the following branches of industry as, first of all, light and food ones. The real control in the prevail amount of cases coincides here with the formal control, that is why management is done by managers. In the same time, for example, in light industry it is possible to meet an exception of this rule. Pare country management enterprise sector, controlled by powerful oligarchic clans, develops the strategy of enforcement in relation to the contractors of market sector. It means the application of economic, political and even power pressure methods.

On the contrary, “new” sector enterprises management with the aim of providing survival and realization of antirecessionary politics must conduct the strategy of economic security as a system of measures in relation to the protection of the enterprises from influences both private (“pare country”) and state enforcement. The realization of economic security strategy is the major task of the internal business control system of market sector enterprise.

Government and its actions – are the chief pains of Ukrainian businessmen [4]. Unlike American businessmen, disturbed mainly by the receipt of income, management and support of business development, management, of monetary flows introduction of new technologies, domestic businessmen, are disturbed by the problems of tax policy, absence of fair legislation, instability of banking system, corruption. That is why it is, especially relevant for enterprises of market economic sector -, as a rule, they are industries not connected with the resource base, including light industry. Negative influence of environment at the enterprise is seen in the action of tax enforcement

mechanism. The subjects of tax enforcement realization are tax authorities providing internal purposes of tax profits maximizations in their activity.

Tax enforcement is realized at two levels - "close" and "distant". A close level of influence is the activity of local tax authorities with tax payments maximization in the relation of a certain enterprise. Distant level of influence is the enforcement of tax authorities at the level of state policy in the relation of all enterprises and other participants of entrepreneurial activities.

Economic consequences of tax enforcement for an enterprise are given below: suffering direct losses in the form of unjustified taxes, penalty and fines. The extend of losses often paralyses the operation of enterprise or brings an enterprise to bankruptcy; the increase of transaction charges as a payment of additionally attracted managerial staff or payment of extraneous organizations, services which are engaged in the processing of tax documents, study of taxation rules, audits and others [6,7].

In the process of research necessary conditions when the mechanism of tax enforcement "does not work" are discovered: if during tax inspection it is not succeeded to find violations in documentary registration of enterprise activity facts; if tax indices, present in reports handed over to tax authorities, are identical to the indices, caused by the results of inspection. Providing the implementation of stated conditions is the tasks of people carrying out internal documentary control.

As a result, reports as transmitters of information about business activity are the main instruments of tax enforcement. That is why within the framework of internal documentary control system, they are control (economic security) objects.

The research of business activity shows that life cycle (turnover) of reports in the internal environment of enterprise consists of the following processes: creation; relocation; systematization; interpretation; control.

Reports have certain characteristics and can be divided into two groups: 1. Immanent properties; 2. Relative properties.

Immanent properties are: periodicity. A report is always related to the certain period of time, to the "accounting period"; addressness. A report is always addressed to anybody (intended for a certain user); standardization. A report is created according to the certain set of standards; measurement. Business reports always have a valuable or naturally-valuable estimation; responsibility. There is always a certain circle of persons or subdivisions of an enterprise, which are responsible for the operations, related to the circulation of reports; confidentiality. Information about business activity of an enterprise is confidential and is disclosed to extraneous users only in a strict limit number of cases.

Properties which belong to relative ones, unlike immanent, a report can have or not to have in general. It is possible to define two properties, which belong to relative: authenticity; asymmetry (property, which characterizes the absence of symmetry or specular reflection of business activity real facts and facts present in reports). A report can not have two mentioned properties, at the same time i.e. it can be either reliable, or asymmetric. Reporting is reliable in terms of business activity and asymmetric in imperfect terms.

Thus, the attempt of reports classification has been started. Classification is conducted according to the following two features: a degree of information systematization; a source of creation.

According to the degree of information systematization reports can be divided into three levels - first (lower), second and third (higher). Reports of the first level represent single facts of business activity. For example, an invoice from a supplier represents the fact of raw material purchase, commercial invoice is a fact of value-added tax presence which belongs to the cost of the purchased raw material.

Reports of the second level are the result of information interpretation which is represented in the reports of the first rate, taking into consideration the efficient rules (standards) of account (registration processing of information) and the grouping of information about separate facts of indices (groups of facts). The different registers of financial and management accounting belong to the reports of the second level - for example, an output accounting report contains three

business indicators: the sum of account receivable at the beginning and at the end of the given period, the cost of shipped products (total and every customer), the cost of prepaid products (total and every customer). Reports of the third level are the result of indices systematization, represented in the reports of the second rate, and the totality of indices given to the external users. The examples of the third rate reports are different tax returns and financial reports.

To achieve the aims of internal documentary control at enterprises the sets (arrays) of reports, in real operation for comfort called macro blocks, are used. Distinguished macro blocks 1 and 2.

Macro block 1 is a set of reports of the first level, united on the basis periodicity; intended for the second and third level reporting of the corresponding period.

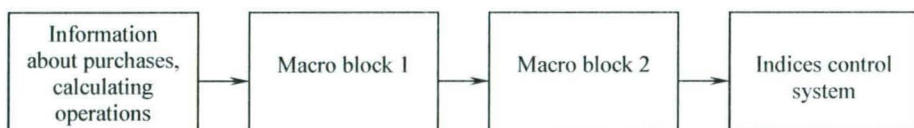
Macro block 2 is a set of the first, second and third levels reports, intended for a continuous audit.

In the process of control certain accounting information, intended for the top management of enterprise with the aim of making decisions is created. It represents further systematization of accounting indices on the basis of macro block 2. These reports have their own value and represent the totality of indices for control, and special registers of control. For convenience these reports can be named the reports of the fourth level.

That's why, the authors of this research suggested the idea to consider the processes of reports systematization and interpretation within the enterprise, it is graphically represented on the picture 1 and picture 2.

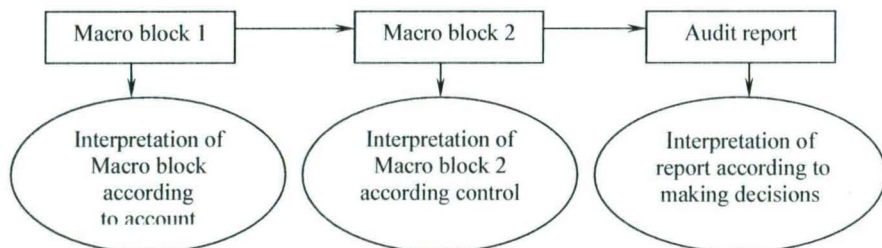
According to the sources of creation, reports are divided into the following two types: created outside the enterprise by its officers and subdivisions; created outside the enterprise by contractors (partners) from its business activity - by suppliers or customers.

Internal environment



Picture 1. Process of reports systematization in the internal documentary control system

Internal environment



Picture 2. Process of reports interpretation in the internal documentary control system

Subjects or services of internal documentary control are internal structural subdivisions of enterprise or attracted on formally contractual basis external structures (firm, public accountant company and other), busy at creation, moving, systematization, interpretation and verification of reports. The question is about central functional subdivisions within the framework of traditional arcwise-functional structure of management of enterprise.

Thus, traditional organization is combination of linear and functional департаменталізації in planning of organization. Basis of arcwise-functional chart of organizational structures are linear subdivisions, that carry out in organization basic work and attendant their specialized functional subdivisions created on "resource" basis, : shots, finances, plan, raw material and materials and other.

Farther in this research a question, is put of the method of rational distribution of control functions between foregoing subdivision method is disussed. The following criteria of efficiency are: functions must not be duplicated; reports must be checked properly st two levels – elementary and professional. Elementary control means the check of the unsystematized information holding in primary reports. Professional control is systematized information checking and creation of the of fourth level reports.

Having the aim of solving the problem, advantages and disadvantages of central functional subdivisions of internal documentary control are examined (Table 1).

Table 1

Advantages and disadvantages of central functional subdivisions of internal documentary control

Name of subdivision	Level of qualification	Advantage	Disadvantage
Finances and account	Elementary	Knowledge of writing, interpretation and systematization of reports rules	lack of knowledge about methods and ways of control; weak contacts with suppliers and customers
Sale	Elementary	Contacts with customers	Lack of knowledge about creation and treatment of reports rules, methods and ways of control
Supply	Elementary	Contacts with suppliers	Lack of knowledge about creation and treatment of reports rules, methods and ways of control
Planning	Elementary	Partial knowledge of writing reports ryles	Lack of knowledge about methods and ways of control; weak contacts with suppliers and customers
Control	Professional	Knowledge of writing, Interpretation and systematization of reports rules; knowledge of methods and ways of control	Lack of contacts with suppliers and customers

In the process of business activity research, it is possible to make a conclusion about the necessity of central functional subdivisions regrouping with the aim of control functions distribution. The basis of regrouping includes: a combination of advantages and disadvantages; a differentiation according to the degree of knowledge of writing reports rules, and also methods and ways of control.

Regrouping was conducted in the following:

1. Differentiation of finances and account. Rule - a degree of knowledge of reports processing rules necessary for the registration of workers is mentioned above. An enterprise practice shows that a financial department, specialized on colculation with contractors, and accounting service (accounting process), exist separately.

2. Combinftion of finances and planning (planning and documentation service). Ryle - general advantages and disadvantages, approximately identical degree of writing reports knowledge. In most cases, they are under the influence of supervision of enterprises, a fixed fact the named subdivisions association under the general guidance of the chief economist (an officer having the similar functions and positions).

3. Comdination of sale and supply (commercial service). Rule - general advantages and disadvantages. At enterprises these subdivisions are submitted, as a rule, to the sales manager. The results of regrouping and functions of internal documentary control rational distribution variant are given in Table 2.

A variant internal documentary control rational distribution on the basis of central functional subdivisions regrouping

Internal business documentary control service	Main functions	Additional functions
Planning and documentation Service	First level reports writing; creation of macro block 1; first level reports moving	Elementary control
Commercial service	First level reports moving	Elementary control
Accounting service	Interpretation and systematization of first level reports; second and third levels reports writing; macro block 2 weation	Reports moving
Internal business control service	Professional control	Reports moving

Thus, summarizing all of the mentioned above, it is possible to make a conclusion:

1. Reports as transmitters of information about business activity are the main instruments of tax enforcement. That's why, within the framework of internal business documentary control system is a factor of economic security of business.

2. Life cycle of reports in the internal environment of enterprise consists of creation, moving, systematization, interpretation and control processes.

3. Reports can be classified according to the degrees of information systematization and the sources of creation.

4. As a basis of subject composition design of the internal business documentary control system as a factor of economic security of business, central functional subdivisions of traditional linear functional structure of enterprise management are used. These subdivisions have certain advantages and disadvantages having the possibility of influence on the object of control (accounting information).

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