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THEORETICAL AND APPLIED ASPECTS OF ANNUAL PERIODIC REPORTING IN NON-FINANCIAL ENTERPRISES

ABSTRACT

of a dissertation for awarding the educational and scientific degree of Doctor in the Professional field 3.8. Economics, Doctoral programme "Accounting, control and analysis of economic activity (accounting)"

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The dissertation has been discussed and proposed for defense in accordance with the Law on Academic Staff Development in the Republic of Bulgaria and the Regulations on the Implementation of the Law on Academic Staff Development at the D. A. Tsenov Academy of Economics by the Department of Accounting at the D. A. Tsenov Academy of Economics – Svishtov.

The author is a regular PhD student at the Department of Accounting at the D. A. Tsenov Academy of Economics – Svishtov.

The dissertation has a total volume of 243 pages and is structured in: introduction (8 pages), argument in three chapters (190 pages) and conclusion (5 pages). A declaration of originality of the dissertation is presented. There are six appendixes, with a total volume of 27 pages. The information in the dissertation is visualized in 10 figures and 28 tables. The works cited list consists of 101 sources, of which 91 – in Bulgarian and 10 – in a foreign language.

The defense of the dissertation will take place on 14 June 2024 at 13:00 hrs. in the Rectorate Conference Hall at the D. A. Tsenov Academy of Economics – Svishtov.

The materials for the defense are available in the PhD and Academic Development department at the D. A. Tsenov Academy of Economics – Svishtov.

CONTENTS

I. GENERAL CHARACTERISTIC OF THE DISSERTATION

1. Relevance and significance of the research

The global market and economic environment in which non-financial enterprises operate and the current information needs of modern society determine the key importance of annual periodic reporting. In order to identify it as a mandatory and constantly recurring complex process, which is characterized by specific aspects and distinctive features for each reporting period, in accordance with the changes in the status of the enterprise subject to entry in the commercial register and the register of non-profit legal entities (NPLE), the main economic factors in the country, its organizational and structural environment and others. By means of the annual periodic reporting procedures, enterprises operating in the non-financial sector are targeted in order to use a review and balance of the results of the state of the financial (and calendar) year and to plan the development of their independent economic activity for the next one and future reporting periods. The annual periodic reporting provides a comprehensive, complete, and materialized result of their business activity and the work of the accountants in the format of an annual financial statement (AFS). Through the publication of the AFS in the commercial register and the register of the NPLE, each business entity presents itself to the public.

The relevance and significance of the research topic are determined by:

First, the process of annual periodic reporting, which is a set of activities, different in content and scope, depending on the legal status of the non-financial enterprise, the subject of activity, the industry in which this activity develops, relationships with related persons from the same economic group, established accounting policy and internal document flow – not regulated by law and/or professionally. The main legal guidelines are contained in the Commerce Act regarding the taking of inventory and the preparation of statements and in the Accountancy Act in relation to the authors of financial statements, the inventory, the scope, structure, and content of the AFS. The Accountancy Act refers to the applicable accounting standards, in which it also finds expression in the by-law specialized regulation. However, they only consider and apply the principles regarding the presentation of facts and events in different and/or complex situations, as well as the structure and content of the AFS, in a superficial and ordinary manner.

Second, the increasing importance of the "true and fair picture" presented in the AFS of the property and financial condition of the non-financial enterprise, the results of its activity and changes in its cash flows as of 31 December of the current accounting period for external and internal users in the context of sustainable development and corporate governance in the business environment.

Third, the changes in the regulatory framework related to the implementation of the new standards for environmental and social impact, good corporate governance, and the transition to a new type of reporting directly affect the annual periodic reporting.

Fourth, the economic conditions both at the national and international level require an adequate view of the procedures and activities of the annual periodical closing in the reporting enterprise and respectively the correct and true preparation of the AFS.

Fifth, the dynamics of the environment external to the enterprise requires definition and delegation of responsibility/s, proper organization of the reporting process and effectiveness of internal control in connection with the annual periodic reporting.

The dissertation places the emphasis on non-financial enterprises – joint-stock companies, entered in the Commercial register and register of non-profit legal entities on the territory of the Republic of Bulgaria, which are included in the scope of the BGBX40 index. The specific aspects of the selected joint-stock companies that participate in the regulated financial market, as well as the fact that their emissions fall into the index based on two criteria: the median daily turnover for the last six months and the number of transactions for the last six months, are of great interest as for both external and internal stakeholders. In order to be particularly attractive to investors and creditors, these enterprises should provide information in the AFS that meets the criteria of transparency, accuracy, relevance, credibility, timeliness, comparability. At the same time, the "outbound" information intended to increase the management productivity of the governing body should possess the qualities of "elasticity" and "usefulness".

2. Object and subject of the research

The object of this dissertation is the annual periodic reporting in non-financial enterprises, and ***the subject*** – the possibilities of the metricized result of the enterprise's activity, as a result of the work of the authors of financial statements in the form of AFS, prepared on the basis of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as an applicable accounting basis for the needs of external users and to improve management efficiency.

3. Aim and objectives of the dissertation

The ***aim*** of the dissertation is to examine the theoretical aspects and outline practical guidelines and strategies for improving the periodic accounting and reporting process with a focus on achieving higher transparency, sustainability, and competitiveness of non-financial enterprises in the modern economy.

The ***objectives*** for achieving the leading aim are: 1) to study the possibilities for improving the organization and technology of annual periodic reporting; 2) to investigate the importance of the subsequent evaluation of the elements of the general purpose financial statements on the qualitative characteristics of the usefulness of the information in the AFS; 3) to establish the degree of compliance of the environmental and social impact policy and good corporate governance implemented in the enterprise with the type of reporting (financial or integrated); 4) to bring forward models for general assessment of the financial state of the enterprise, with which to establish its current situation and to support the preparation of forecasts for the future development of its independent economic activity; 5) to analyze legislative decisions in relation to the formation of the accounting financial result and the legal, tax and accounting treatment of dividends in joint stock companies and to examine the importance of the stability of the dividend policy for shareholders.

4. Research thesis

The main research ***thesis*** defended in the dissertation is that annual periodic reporting in non-financial enterprises represents a key process that not only reflects the financial aspects of their activity, but also requires systematic analysis and optimization, with the aim of improving corporate governance and attracting potential investors. Through the prism of organizational structure, technological aspects, and specific requirements for presenting information in general purpose financial statements, annual periodic reporting can be integrated as a strategic tool to achieve sustainable financial development and competitive advantage of enterprises from the non-financial sector.

5. Degree of development

In unison with the understanding that continuity in science is a basis for new ideas, the research process uses publications by established Bulgarian authors such as Iv. Dushanov, M. Dimitrov, D. Damyanov, V. Bozhkov, A. Svrakov, Hr. Dosev, Zh. Bonev, At. Atanasov, St. Alexandrov, R. Simeonova, D. Krumova, etc.

6. Methodology of the research

In the course of the research, literary sources in Bulgarian and English were used, including electronic ones. International and national normative acts related to the standardization and harmonization in accounting have been studied.

Empirical research and observations were carried out in 30 joint-stock companies with different objects of activity, operating in the non-financial sector, entered in the Commercial register and register of non-profit legal entities on the territory of Bulgaria. The companies selected by the method of random sampling without replacement fall within the scope of the BGBX40 index, which has been registered on the Bulgarian Stock Exchange (BSE) since 2 January 2014. The shares of the sampled companies are publicly traded on a regulated market. Investment companies and commercial banks remain outside the scope of the sample.

To achieve the aims of the scientific research, various scientific approaches and methods are applied, namely analysis and synthesis, methods of induction and deduction in the process of formulating scientific statements, historical and descriptive methods, statistical tools for processing primary information and others.

7. Research limitations

With a view to a more complete focus on the aim and thorough completion of the objectives, the research was conducted with some limitations: 1) non-financial enterprises registered on the BSE were studied due to the strategic interest in their independent economic activity, respectively, their property and financial status, environmental and social policy, from external and internal stakeholders; 2) the studied enterprises (joint stock companies) draw up their financial statements on the basis of IAS and IFRS; 3) annual periodic reporting is examined in the context of the underlying assumption of going concern; 4) the research does not focus on the cases where the principle of going concern will not be able to be confirmed in the next year, respectively, the AFS for the current year cannot be prepared on the basis of IAS and IFRS, but a liquidation or other appropriate basis should be applied; 5) specific aspects in presenting the information in the general purpose financial statements were analyzed; 6) the analysis is primarily focused on the financial condition of the investigated joint stock companies and their dividend policy.

8. Dissertation research approval

The dissertation has been discussed and forwarded for defense by the Department of Accounting at the D. A. Tsenov Academy of Economics – Svishtov. On the topic of the dissertation, 3 articles, one of which was co-authored, and 2 conference papers were published in specialized publications. Parts of the dissertation have been presented at scientific forums, including outside the D. A. Tsenov Academy of Economics – Svishtov.

II. STRUCTURE AND CONTENT OF THE DISSERTATION

The dissertation consists of an introduction, three chapters, a conclusion, a bibliography, and appendices. The total volume of the dissertation is 243 pages. In terms of content, the dissertation is structured as follows:

INTRODUCTION

CHAPTER ONE

ORGANIZATIONAL BASE OF THE ANNUAL PERIODIC REPORTING

1. Periodicity as a component of the accounting policy in non-financial enterprises

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1.1. Identification and testing of assets subject to impairment in accordance with the requirements of IAS 36 Impairment of Assets

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III. CONCISE PRESENTATION OF THE DISSERTAION INTRODUCTION

The introduction of the dissertation substantiates the relevance and practical significance of the research. The object, subject, aim, and objectives are defined. The research thesis defended in the dissertation is formulated. The methodology and restrictive conditions of the study are presented.

CHAPTER ONE
ORGANIZATIONAL BASE OF THE ANNUAL PERIODIC REPORTING

1. Periodicity as a component of the accounting policy in non-financial enterprises

Subchapter ***1.1. Accounting policy through the lens of accounting legislation*** analyzes the essence of the accounting policy. It is stated that in modern economic conditions it is important to identify what the role of accounting policy is in the context of current reporting and annual periodic reporting in non-financial enterprises. The conclusion is reached that the application of the accounting policy is not limited only to the preparation and presentation of the financial statements. It also regulates the manner in which the activities and assets of the non-financial enterprise are presented in accounting during the individual reporting periods in accordance with the requirements for recognition, assessment and disclosure of the various reporting objects, transactions, or other events. The accounting policy is one of the mechanisms for information assurance and realization of the management goals and management strategy during the separate accounting periods.

Subchapter ***1.2. Factors affecting the accounting policy*** examines the factors influencing the formation and implementation of the accounting policy in the enterprises of the non-financial sector. Some of these *factors* are grouped as *internal* and *external* in Table 1[1].

Table 1. Classification of the main factors influencing the accounting policy

Internal factors	External factors
• Economic changes at the national level; • Socio-economic development of the country; • Regional and national economic perspectives;	• Globalization of the international economy; • Development of the capital markets;

[1] The list of external and internal factors mentioned does not claim to be exhaustive. The updating of external and internal factors is expressed in their addition, change and enrichment according to specific circumstances.

• Current legislation in the country (including commercial, accounting, tax, labor, and insurance). • Reflection of the reproduction process on economic activity; • Financial and property status of the enterprise; • Legal form and organizational-management structure; • Subject and scale of the activity; • Industry and sector affiliation; • Form of ownership (including private, state, and mixed); • Ownership and degree of liquidity of owned and managed resources; • Educational qualification of the accounting staff; • Material and technical facilities and information assurance; • Vision, mission, and goals of the governing body for the development of the enterprise.	• Political and economic ties and relationships between individual countries; • Global economic changes; • Duration of the individual phases of the economic cycle (including crisis, depression, rise and boom); • European and other international legislation (including commercial, accounting, tax, labor, and insurance); • Ratified international agreements, agreements, and programs for economic cooperation between individual countries.

Source: Author's own interpretation.

It should be noted that in recent years, the technological progress in line with the digitalization of business life has led to the emergence of some new accounting objects. Their accounting requires the preparation and application of a specific accounting policy. Cryptocurrencies are cited as a current example, for which, from the moment of their appearance, there is no specific accounting standard to regulate their accounting and disclosure in financial statements.

The conclusion is reached that the accounting policy must correspond to the specific aspects of the business unit, reflect the influence of the socio-economic factors of the environment, correspond to the goals of the governing body and not contradict the applicable accounting legislation. Its appropriate disclosure in the explanatory appendices to the financial statements ensures the provision of relevant, understandable and reliable information for the making of economically justified decisions by a diverse range of users.

Subchapter ***1.3. Persons – authors of accounting policy*** states that the provisions of the current Accounting Act and the applicable accounting standards (including IAS 1 Presentation of financial statements, IAS 8 Accounting policy, changes in accounting estimates and errors, AS 1 Presentation of financial statements, AS 8 Net profits or losses for the period, fundamental errors and changes in the accounting policy, etc.) do not include a specific legal norm in which criteria are specified for the persons – authors of the accounting policy.

A conditional distinction has been made between the persons who are involved in the development of conditions and the application of a methodology when developing the accounting policy and its actual application, as follows: the head of the non-financial enterprise (executive director, manager or authorized representative) according to his/her legal status in the sense of the current Commerce Act; the chief accountant or financial director, depending on the established organizational and management structure in the company, and the author of the financial statements. The conditionally defined **three** groups of persons were analyzed.

It is summarized that regardless of the responsibility that the manager bears for the approval of the accounting policy, he/she often does not pay enough attention to the organization of the accounting activity, the accounting treatment of the reporting objects and the content of the financial statements. It is a problem that, in one form or another, reflects the effective use, distribution and optimization of resources in the economic unit.

Subchapter ***1.4. Prerequisites for amending (updating) the accounting policy*** examines the circumstances that necessitate its change. It is noted that if there are more reliable and appropriate alternatives for the accounting presentation of assets, liabilities, owner's equity, income and expenses in the financial statements, it is advisable that the non-financial entity changes its accounting policy, disclosing the nature of the change and the consequences of this. It is not recommended that it continue to treat the reporting objects, transactions or other events in the same way, given that there is a more suitable alternative for their accounting, since the goal is to generate more reliable and more relevant information about the effect of economic operations on the financial position, financial results of the activity, changes in equity and cash flows during the reporting period. It is emphasized that when a new accounting policy is applied or an existing one is amended, it should be identified whether the effect is material.

The conclusion is reached that the emergence of new accounting objects, or the application of new accounting standards necessitates updating or respectively modifying the content of the current accounting policy by including a specific set of concepts, rules, and procedures.

Special attention is paid to the impact of the "going concern" principle on the application of the accounting policy in subchapter ***1.5. Impact of the "going concern" principle on the accounting policy***. There are situations in which the management of the non-financial enterprise has come to the conclusion that the "going concern" principle has been violated and, accordingly, it is not relevant to use it as a basis for preparing and presenting the AFS. It is assumed that the business entity has the intention or the need to liquidate or significantly reduce the scale of its activity. In this situation, it is appropriate to use a specific accounting policy that will have an impact on the depreciation and book value of the assets, the adopted method of writing off the inventories, the valuation of the assets, the impairment of bad debts, the recognition of liabilities for provisions, etc. (cf. Table 2).

Table 2. Applicable aspects of the "going concern" principle in the preparation of the AFS

Comparison criteria	Liquidity/insolvency	
	Not announced	**Announced**
Basis for the preparation of the AFS	- IAFS; (non-operating enterprise)	- NAS; - Accountancy Act, art. 35, par. 1; - AS 13 Reporting in cases of liquidation and bankruptcy; (liquidation basis)
Valuation of assets and liabilities	Assets are valued at recoverable / net realizable value (selling price less costs to sell). Liabilities are valued at amortization value.	Assets are valued at net realizable value (selling price less costs to sell). Liabilities are valued at amortization value.
Classification of assets and liabilities	The classification of assets and liabilities into long-term/ short term can be preserved.	Most assets and liabilities are expected to be reclassified as current.
Depreciation	The depreciation of fixed assets may continue.	The depreciation of fixed assets stops.
Announcements to the AFS	The AFS is prepared on a basis other than the going concern. In accordance with IAS 1 Presentation of Financial Statements, paragraph 25 and paragraph 122 the following are disclosed: - the reasons and circumstances that led to this; - description of the basis on which the statement was prepared; - a description of the policies for recognition and measurement of assets and liabilities, and significant assumptions.	The AFS is prepared on a basis different from the going concern – liquidation basis. According to AS1 Presentation of financial statements, paragraph 24.8. are disclosed: - the data that lead to the uncertainty about the possibility of the enterprise to continue its activity; Special Disclosures under AS 13 Reporting in cases of liquidation and bankruptcy.

Effect on the auditor's report[2]	The auditor's report shall include a paragraph stating that the financial statements are prepared on a basis other than the going concern and refer to the disclosures in the explanatory notes. Effect on key audit matters.	The auditor's report shall include a paragraph stating that the financial statements are prepared on a liquidation basis and refer to the disclosures in the explanatory notes. Effect on key audit matters.

Source: Author's own interpretation.

Parallel to this, attention is paid to the fact that IAS/IFRS do not present specific principles, concepts and procedures that serve as a normative basis for presenting the financial and property status of "non-operating enterprises". Enterprises from the non-financial sector, which are in the process of bankruptcy or liquidation, apply the NAS as the reporting basis for preparing the AFS. They should fully observe and apply the provisions of AS 13 Reporting on liquidation and bankruptcy.

It is concluded that the accounting principle of "going concern" is of fundamental importance for the application of the adopted accounting policy and for the preparation and presentation of the financial statements, based on its objective necessity and sustainable presence in the future.

2. Technological characteristics of the annual periodic reporting

Subchapter ***2.1. On the relationship between current reporting and annual periodic reporting*** reveals the relationship between current reporting and annual periodic reporting. It is pointed out that accounting is a comprehensive and continuous process for generating and synthesizing masses of information that give insight into the activity of non-financial enterprises and their results. The information that is generated by the accounting system during the year serves to meet the internal needs of the management. Its synthesis and summary in the form of reporting indicators is achieved by means of annual periodic reporting, known in accounting theory and practice as annual accounting closing.

Emphasis is placed on the true and fair presentation of information in the financial statements, which depend on the applied individual accounting policy, and more specifically, on its compliance with the statutory provisions of the Accountancy Act, NAS and IAS/IFRS. This means that during the formation of the

[2] In case of announced liquidation or bankruptcy, the general requirements of Art. 38 of the Accountancy Act for conducting an independent financial audit.

accounting policy in the separate accounting structures, the necessary conditions must be created for the consistent, precise, and lawful application of the accounting regulations. Otherwise, the reporting information presented in the AFS will not have evidentiary value for its users (including current and future investors, lenders and other creditors, regulatory authorities, and others).

Subchapter ***2.2. Chronology of the annual periodic reporting*** outlines the organizational parameters and chronological aspects of annual periodic reporting. Each of the main stages of the annual periodic reporting is characterized by: 1) Re-examination of the documents and their accounting; 2) Identification of a change in the current state of the non-financial enterprise; 3) Assessment of the changes in the economic situation; 4) Agreeing with the management on issues related to the activity; 5) Review of the accounting registers of the structural subdivisions of the non-financial enterprise; 6) Preparing and conducting an inventory of assets and liabilities and reflecting its results; 7) Verification of the accrued depreciation for the year and review of the remaining useful life of depreciable assets; 8) Subsequent adjustment in the value of assets and liabilities; 9) Accounting for the effects of changes in exchange rates; 10) Testing of accounting estimates; 11) Checking the conditions for recognition/change of provisions; 12) Verification of correspondence between the accounts; 13) Correction of accounting errors; 14) Reflecting the events that occurred after the date of the reporting period; 15) Closing the accounts and establishing the final financial result; 16) Conversion of the final financial result for tax purposes and reflection of the tax effects; 17) Generation of turnover list; 18) Preparation of the AFS. It is established that not all stages of the annual periodic reporting process have as a normative basis the provisions of the Accountancy Act, respectively IAS/IFRS. Much of it is based on accounting practices, written and unwritten policies, internal procedures, traditions, and accumulated experience of the accounting staff. From an organizational point of view, this implies a certain freedom in the organization of accounting activities in non-financial enterprises.

It is summarized that deadlines cannot be fixed for the individual stages of the annual periodic reporting, since the activities and procedures for them are of different duration. In addition, the resulting accounting information obtained at a given stage serves for the implementation of decisions at the next, respectively subsequent stages.

Subchapter ***2.3. The inventory of assets and liabilities – an integral part of the annual periodic reporting*** has investigated the inventory of assets and liabilities as a reliable way to provide information on the changes in the composition and structure of assets and liabilities of business entities as of the date of the financial statements. It is pointed out that: 1) the inventory of non-current assets aims not only to confirm their physical existence, but also to establish their incorrect entry in the accounting of the business entity; 2) during an inventory of material stocks (including materials, goods, finished products and work in progress) it is necessary to establish what quantitative and qualitative changes have occurred in their composition by counting, measuring, weighing, etc., in the presence to the financially liable person or his/her legal representative; 3) it is permissible not to confirm all balances during the inventory of accounts in the enterprises of the non-financial sector; 4) if the inventory is carried out in the year following the reporting year, it is not necessary to confirm amounts on the accounts that arose at the end of the reporting year, since a significant part of them is expected to be settled (the amounts that are significant in size, must be confirmed and discussed with the contractors of the non-financial enterprise).

It is recommended that a precise analysis of all receivables be performed in order to establish their collectability, as well as to determine which of them are risky or significant in size. On the other hand, when reviewing the company's obligations, the specific tax requirements of Art. 46 of the Corporate Income Tax Act.

It is established that when the inventory is carried out only as a document, without real factual implementation, conditions are created for abuse of the property and financial status of the business entity.

It is concluded that the annual periodic reporting is a long, comprehensive, and complete process, which in terms of content covers many interrelated and consecutive stages, including specific activities and procedures. The inventory of assets and liabilities is one of the most significant stages of the annual periodic reporting, as its purpose is to confirm whether the information from the current reporting is a reliable and secure basis for preparing the GFO of the non-financial enterprise.

3. Highlights of internal control in the context of annual periodic reporting

Subchapters ***3.1. Internal control framework*** and ***3.2. Components of internal control*** argumentatively presents the COSO Integrated Internal Control Framework and its components in the context of annual periodic reporting. In the non-financial sector, unlike the public sector, there are no regulated specific legal requirements regarding the organization and manner of conducting internal control. What methodology will be adopted as a basis for implementing the internal control process is a matter of professional judgment on the part of the governing body. Control mechanisms that are put in place in non-financial enterprises should be in line with internationally accepted internal control practices, concepts, or frameworks, such as COSO.

It is noted that the applicability and effectiveness of the COSO model depend on the harmonious and sustainable functioning of all internal control components (including control environment, risk assessment, control activities, information and communication, monitoring activities).

It is established that the effective management of enterprises from the non-financial sector requires the creation and maintenance of a modern internal control system to serve as a mechanism for improving current and annual periodic reporting; minimizing risks within acceptable limits; limiting abuse, fraud, and error; improving activities, operations, and business processes; achieving managerial goals, etc.

CHAPTER TWO
SPECIFIC REQUIREMENTS IN PRESENTING THE INFORMATION IN GENERAL PURPOSE FINANCIAL STATEMENTS

1. Guidelines for subsequent evaluation of some of the elements of the financial statements

Subchapter ***1.1. Identification and testing of assets subject to impairment in accordance with the requirements of IAS 36 Impairment of Assets*** studies the guidelines for subsequent assessment of some of the elements of the AFS. The impairment of assets during the period of the annual periodic reporting is a serious challenge for practicing accountants and authors of financial statements. Therefore, particular attention is paid to the impairment of assets in the context of annual periodic reporting. IAS 36 Impairment of Assets does not apply to all assets that are subject to impairment testing at the end of the reporting period, but its philosophy finds expression in other accounting standards, in which many of its provisions are implemented. Impairment is a prerequisite for true and fair presentation of the information in the AFS in accordance with the requirements of the principle of prudence, regulated in Art. 26, para. 1, item 3 of the Accountancy Act.

We have systematized the minimum of information sources that accountants and authors of financial statements should take into account on an annual basis when assessing the existence of indications that an asset may be impaired.

It is emphasized that practicing accountants and authors of financial statements can choose by themselves when to check assets for impairment, i.e. there is no limit to a specific term within the annual reporting period. The only thing to keep in mind is that IAS 36 Impairment of Assets indirectly forces business entities to perform the verification every year at the same time. Observations from the practice show that, at the moment, compliance with the specified requirement is limited.

An analysis is made of paragraph 18 of IAS 36 Impairment of Assets, respectively the recoverable amount is the higher of the fair value, minus the costs to sell the asset or cash-generating unit and their value in use. From an economic point of view, the recoverable amount is based on the higher of the two values. It is discovered that this can serve as a basis for a rational choice between the sale of the asset, i.e. its decommissioning and its preservation.

It is summarized that through the depreciation, which is a manifestation of accounting conservatism, compliance with the principle of prudence, regulated in art. 26, para. 1, item 3 of the Accountancy Act. This, however, is of decisive importance for the reliable presentation of the assets in the AFS of the enterprises from the non-financial sector. The regulatory requirements of IAS 36 Impairment of Assets allow for a number of subjective assumptions on the part of practicing accountants and authors of financial statements in the annual testing of assets for impairment, as well as in calculating their recoverable amount.

Subchapter ***1.2. Specific aspects in the impairment of financial assets in accordance with the requirements of IFRS 9 Financial instruments*** visualizes the categories of financial assets for which the impairment requirements are applicable in accordance with IFRS 9 Financial Instruments. In the context of paragraph 5.5.4. of the same standard, we place the emphasis on the purpose of the impairment requirements, namely: to recognize the expected credit losses for the entire life of all financial instruments whose credit risk has increased significantly since their initial recognition, regardless of whether they are assessed individually or collectively taking into account all reasonable and argued information, including that for future periods.

It is noted that in order to ensure their implementation in IFRS 9 Financial Instruments, in contrast to IAS 39 Financial Instruments: Recognition and Measurement, a single impairment model has been adopted, which is based on the concept of expected credit loss and not on the concept of the loss incurred. It is worth noting that for the practical application of the model, a homogeneous approach to accounting for impairment has not been adopted, but in fact, depending on the type of financial asset and its credit risk exposure, several diversified approaches have been introduced (see Table 3).

Table 3. Applicability of the impairment approaches adopted in IFRS 9 Financial Instruments

Type of the financial asset	Impairment approach
• Cash and equivalents; • Provided loans (including intra-company loans);	General approach

• Debt instruments valued at depreciated value; • Debt instruments measured at fair value through other comprehensive income; • Credit commitments and financial guarantee contracts which are not measured at fair value through profit or loss;	
• Trade receivables which do not contain a significant financial component; • Contract assets within the scope of IFRS 15 Revenue from contracts with customers which do not contain a significant financial component;	Simplified approach
• Lease receivables within the scope of IFRS 16 Leasing; • Trade receivables which contain a significant financial component; • • Contract assets within the scope of IFRS 15 Revenue from contracts with customers which contain a significant financial component;	General approach or simplified approach
• Purchased or originated financial assets with credit losses;	The purchased or originated credit-impaired financial assets approach

Source: IFRS 9 Financial Instruments.

The recognition of expected credit losses under the general impairment approach goes through three stages, and at each stage the credit quality of the relevant financial instrument for which there is a default is assessed. At each reporting date, after initial recognition, the non-financial entity must identify the stage at which the financial instrument is subject to impairment.

Stage 1, stage 2 and stage 3 have been analyzed sequentially with respect to the financial instruments according to whether they are regularly serviced within the agreed terms, whether their service is impaired, or are defined as non-serviced financial instruments.

It is established that in practice there are various reporting objects, transactions or other events, the accounting treatment of which in certain cases requires a significant degree of judgment on the part of the accountants and the authors of financial statements. It is necessary as a condition to comply with the requirements of IAS/IFRS. In this context, a current example from the practice can be the impairment of a granted loan falling within the scope of IFRS 9 Financial Instruments. At the moment, the standard lacks an explanation of the concept of "significant increase" in credit risk, although it specifies the criteria for its identification.

It is emphasized that the simplified approach for recognizing the expected credit losses is mandatory for trade receivables and contract assets within the scope of IFRS 15 Revenue from contracts with customers which do not contain a significant financing component. In IFRS 9 Financial Instruments, there is no restriction on choosing between the general and simplified impairment approaches in respect of trade receivables and contract assets that contain a significant financing component, as well as lease receivables within the scope of IFRS 16 Leases.

Through observations in the practice of enterprises from the non-financial sector, the conclusion is reached that the matrix of provisions as a method for implementing the simplified approach to impairment is easier to apply to short-term trade receivables (with a maturity of up to 12 months) than to long-term trade receivables. In the case of trade receivables with a maturity of more than 12 months, it is appropriate to use more complex statistical methods.

In summary, the impairment rules set out in IFRS 9 Financial Instruments are applicable to financial assets that are measured at depreciated cost or at fair value through other comprehensive income. The impairment model adopted in IFRS 9 Financial Instruments results in earlier recognition of the expected credit losses. The type of financial asset and its credit risk exposure can have an impact on the applicability of the impairment model.

2. Investigation of the transactions among related parties and their disclosure in financial statements

Subchapter ***2.1. Significance of the information about related parties*** analyzes the relationships between related parties and the transactions between them, as they can reflect on the results of the activity of the non-financial enterprise and, respectively, on its financial condition. Arguments are presented in support of this view.

Attention is paid to the fact that even in the absence of actual transactions between two or more related parties, the very fact that these relationships exist determines the need for adequate and precise information in the explanatory appendices to the financial statements. This makes it possible to assess to what extent the business unit is dependent on its related entities, as well as to make a clear distinction between transactions carried out under fair market conditions between unrelated persons and those carried out under non-market (contractual) conditions between related persons.

It is pointed out that IAS 24 Related Party Disclosures does not address the issue of the moment of origination or termination of the relationship between two parties. In addition, the standard lacks statements that indicate whether the explanatory notes to the financial statements must indicate information about transactions with a person who is treated as related only for a certain period of time during the reporting period.

Subchapter ***2.2. Analysis of the transactions among related persons*** discusses key issues from the practice of enterprises concerning transactions among related parties. The author's view on current cases is presented in accordance with IAS 24 Related Party Disclosures.

Particular attention is also paid to IFRS 11 Joint Arrangements, as the standard distinguishes between persons who share joint control and persons involved in a joint arrangement without exercising joint control.

Subchapter ***2.3. Disclosure of the information about related persons*** investigates the importance of the disclosure of transactions among related parties in general purpose financial statements. In this part of the study, it is pointed out that compared to AS 24 Related Party Disclosures, the approach of IAS 24 Related Party Disclosures emphasizes the completeness and precision of the information that should be disclosed in the explanatory notes to the financial statements. This circumstance allows the users of the financial statements to get a more complete picture of the influence of the relationships between the related parties on the activity of the non-financial enterprise.

It is established that the requirements of IAS 24 Related Party Disclosures do not limit the possibility of specifying additional information regarding transactions between related parties in the financial statements. This approach allows the authors of financial statements to expand their disclosures, with a view to achieving greater representativeness, transparency, and credibility. It is concluded that it is possible that extended disclosures, beyond the scope of IAS 24 Related Party Disclosures, may become mandatory.

3. Comparative analysis between financial statements based on IAS/IFRS and integrated statements

Subchapter ***3.1. Financial reporting or integrated reporting*** seeks an answer to the reporting model – financial reporting or integrated reporting. The traditional financial reporting model is analyzed. It provides an opportunity for users (including current and future investors, lenders, and other creditors) to obtain information about the realized economic and financial results in a short-term period. The information that generates financial reporting gives insight into all transactions and events that have occurred in the past; has a financial nature and provides limited opportunities for preparing plans and forecasts for the future development of the non-financial enterprise.

Integrated reporting is also explored as an evolution of accounting that changes the modern paradigm. It presents financial and non-financial information that has a strategic focus; outlines the future prospects for the non-financial enterprise; reveals the opportunities and risks and enables a comprehensive analysis of its condition through financial and non-financial indicators.

Some similarities and differences between financial and integrated reporting are highlighted depending on certain criteria (see Table 4).

Table 4. A comparative characteristic between traditional financial reporting and integrated reporting

Comparison criteria	Traditional financial reporting	Integrated reporting
Way of thinking	Limited (isolated)	Integrated
Character of the disclosures	Low degree of transparency in the disclosures	High degree of transparency in the disclosures
Way of presenting the information	In compliance with the regulations	Concise
Adaptability	Orientation towards rules and regulations	Flexibility in compliance with the individual characteristics of the business structures
Types of capital	Financial and production capital	All forms of capital (financial, production, human, intellectual, natural, and social)

Source: Author's own interpretation.

It should be noted that the two conceptual frameworks (the Conceptual Framework for Financial Reporting and the International Framework for Integrated Reporting) have different objectives that find real expression in the "end product" of reporting, i.e. the financial, respectively integrated statement. The latter gives a more complete and comprehensive picture of the activity of the non-financial enterprise, emphasizing its ability to create value over time.

Subchapter ***3.2. Similarities and differences between IAS/IFRS-based financial statements and integrated statements*** makes a comparative analysis between the financial statements based on IAS/IFRS and the integrated statements.

As a result of the studies in the practice, it has been discovered that the integrated statements are more comprehensive compared to the financial statements (see Table 5).

Table 5. Financial statement or integrated statement

#	Comparison criteria	Financial statement	Integrated statement
1.	Applicable framework	Conceptual framework for financial reporting	International framework for integrated reporting
2.	Institution which issues the applicable framework	International Accounting Standards Committee	International Integrated Reporting Committee

3.	Requirements for preparation of the statement	Mandatory preparation regulated in the current accounting legislation	Voluntary preparation according to the decision of the governing body of the enterprise
4.	Time scope	Short-term	Short-term, medium-term, and long-term
6.	Type of information	Financial information	Financial and non-financial information
7.	Indicators of analysis of the information	Financial indicators	Financial and non-financial indicators
8.	Stakeholders	A wide range of persons (current and future investors, loan lenders, other creditors, etc.)	All stakeholders
9.	Transparency	Low degree of transparency	High degree of transparency

Source: Author's own interpretation.

It is concluded that the financial statement generates information that serves to analyze the financial situation, the realized financial results, and the movement of cash flows during the reporting period. The information (including financial and non-financial) that the integrated report provides has a strategic focus and makes it possible to analyze the ability of the non-financial enterprise to create and preserve value in the short, medium, and long term. An integrated report can be presented on its own or as a distinguishable part of another report.

Subchapter ***3.3. Preparation and publication of a non-financial statement as an integrated reporting engagement*** provides a critical assessment of the non-financial information in the financial statements.

Attention is paid to the fact that the Accountancy Act, in effect from 1 January 2016, introduces the requirements of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 to amend and supplement Directive 2013/34/EU on the disclosure of non-financial and information on diversity by certain large companies and groups. In this way, the harmonization and unification of the Bulgarian accounting legislation with that of the European Union regarding non-financial reporting is achieved.

In this part of the study, it is pointed out that the member states should provide adequate and effective mechanisms and ways to ensure that non-financial information is properly disclosed, in accordance with the provisions of Directive 2014/95/EU. For non-financial information to be useful and meet the requirements of investors and other stakeholders, it must be sufficiently comparable across business structures, as well as more integrated with the financial information that is presented in the AFS. The publication of the non-financial statement, albeit by a limited group of enterprises, is a step towards integrated reporting and a basis for future regulatory changes in the field of non-financial reporting.

It is concluded that it is a matter of professional judgment on the part of the management of the non-financial entity regarding the approach to reporting the information in the non-financial statement. It is recommended that this approach be in line with the enterprise's mission, vision, values and views regarding environmental and social issues, human rights, anti-corruption, etc.

CHAPTER THREE
ANALYSIS OF THE FINANCIAL STATE AND CHALLENGES IN THE DISTRIBUTION OF DIVIDENDS

1. Analysis of the financial state

Subchapter ***1.1. General characteristics of the financial state*** provides a review of the scientific literature which defines the essence of the term *financial state*.

An attempt has been made to analyze the regulatory framework in the context of the researched issues. It is noted that at the present moment in the national and international normative acts related to the standardization and harmonization in accounting, there is a lack of a single definition and understanding of the concept of financial condition.

The conclusion is reached that the financial condition should not be studied in isolation, but in direct connection with the results of the non-financial enterprise, generated by its operational, investment and financial activities during a given reporting period.

Subchapter ***1.2. Information assurance and limitations in the analysis of the financial state*** performs a critical assessment of the information assurance and the limitations in the analysis of the financial state.

It is established that in order to examine the financial situation in dynamics, the value changes of the financial indicators at the end compared to the beginning of the reporting period must be analyzed and evaluated. This makes it possible to identify what is the cumulative influence of the external and internal factors of the environment on the numerical values of the indicators, with a view to highlighting certain trends and dependencies.

It is emphasized that in the analysis of the financial position it is useful to use information from the explanatory notes containing significant accounting policies and other explanatory information. They present additional and detailed information about the effects, transactions, and other events, which is not disclosed in the individual components of the AFS under IAS/IFRS but is relevant and useful for its interpretation from the position of the individual categories of the interested parties. An important aspect for the analysis of the financial situation is the provision of information from the chronological and systematic (analytical and synthetic) accounting reporting.

The more important limitations in relation to the application of financial position analysis are described.

Attention has been paid to some cases where illegal techniques are used to manage financial results in order to hide or minimize tax liabilities.[3]

It is concluded that the analysis of the financial position depends on: 1) the analytical processing of the information contained in the statement of financial position at the end of the period and in the explanatory notes; 2) the selection of an appropriate combination of financial indicators and models, according to the specifics, industry and sector affiliation of the enterprise, etc.; 3) the identification of relationships and dependencies both between individual elements and between components of general purpose financial statements.

In subchapter ***1.3. Models for general assessment of the financial state*** with the help of the logical connections and dependencies between the individual elements of the statement of the financial state at the end of the period (including current and non-current assets, current and non-current liabilities, and equity), four models for the general assessment of the financial state are distinguished. Through them it can be categorized, and respectively visualized as:

[3] **In the practice of non-financial enterprises, the following illegal techniques are used to manage financial results**: 1) accounting reporting of false income or expenses, respectively; 2) preliminary or subsequent recognition of revenue, without corresponding to the provisions of IFRS 15 Revenue from contracts with customers and the recognition criteria laid down in the Conceptual framework for financial reporting; 3) correction, in the direction of decrease or increase, of the current profit at the expense of reported previous results; 4) transfer of incurred current expenses in different accounting periods; 5) underestimation or concealment of taxable income and overestimation or saving of taxable expenses; 6) reduction or disregard of existing obligations, etc.

√ sustainable (cf. Figure 1);

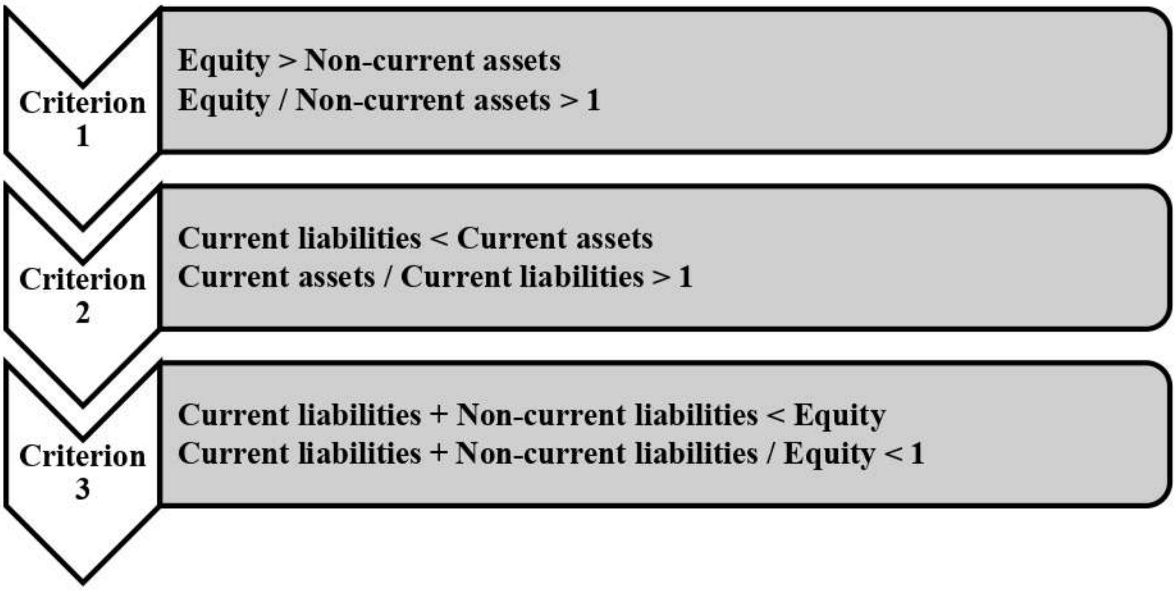

Figure 1. Sustainable financial state

√ satisfactory (cf. Figure 2);

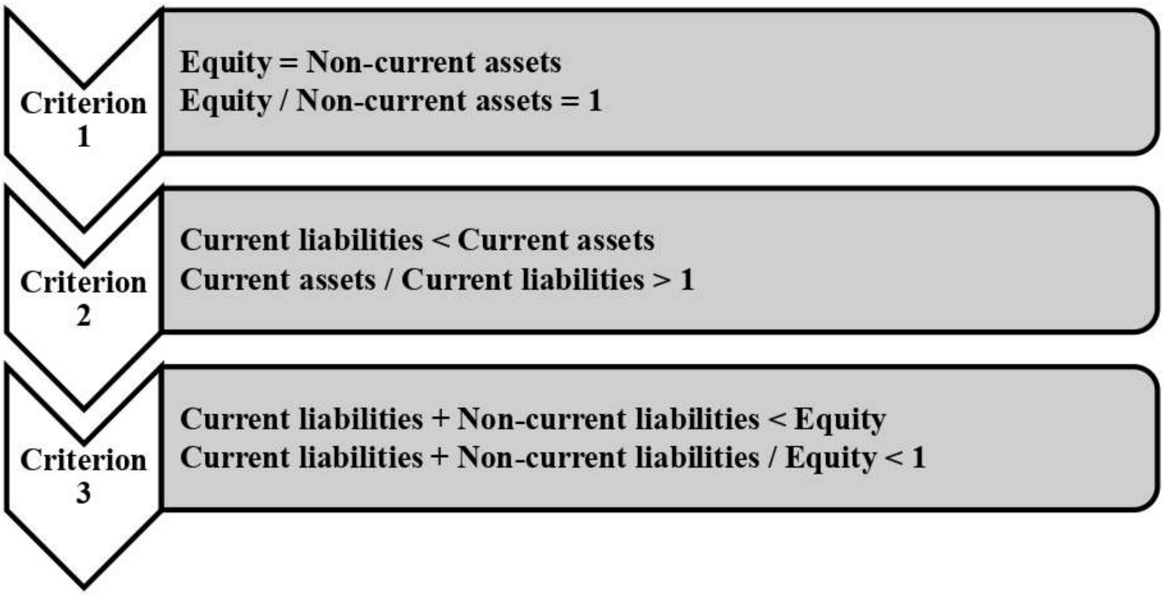

Figure 2. Satisfactory financial state

√ unstable (cf. Figure 3);

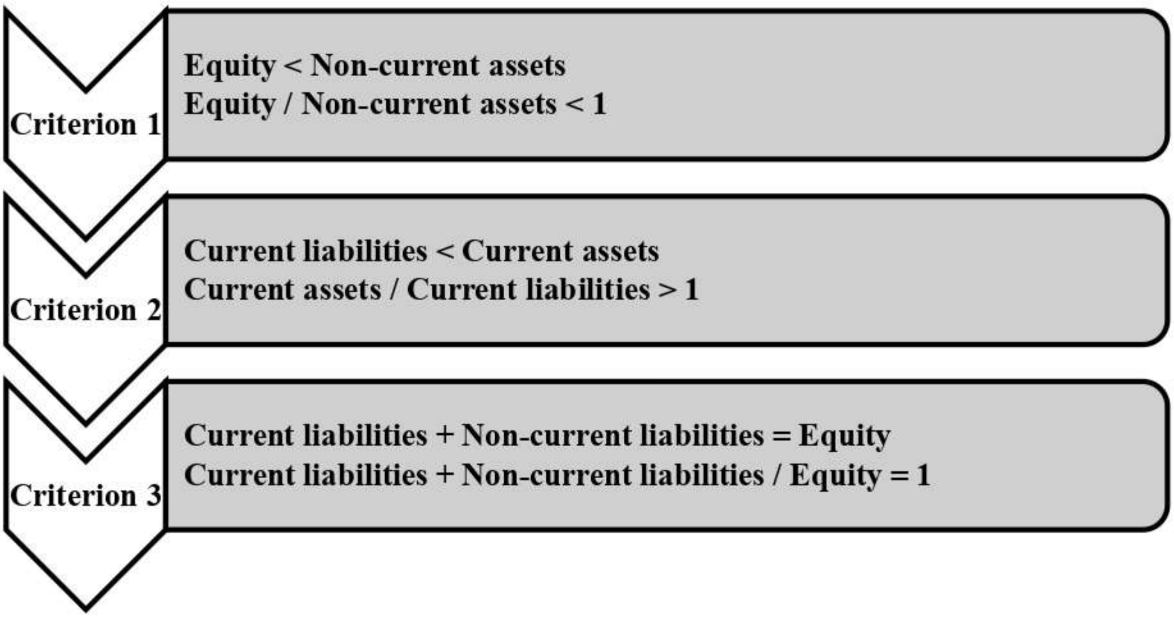

Figure 3. Unstable financial state

√ crisis (cf. Figure 4).

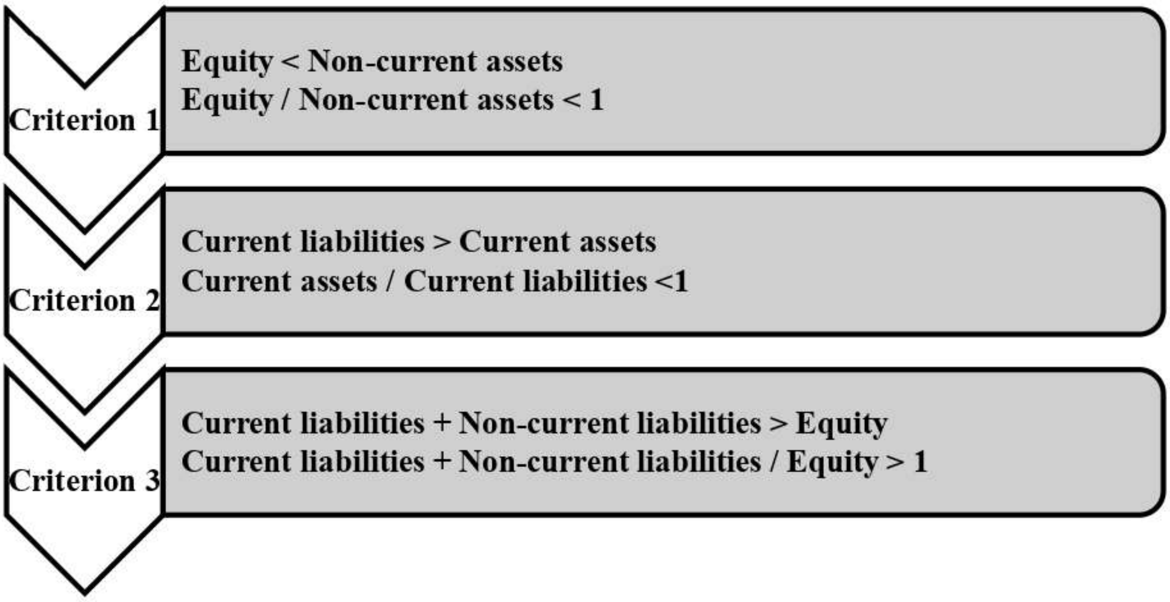

Figure 4. Crisis financial state

It is discovered that the general assessment models can identify the basic features as sustainable, satisfactory, unstable or crisis financial condition. An objective view of the current financial situation of the non-financial enterprise can only be obtained through a thorough analysis of financial ratios, integrated among themselves, and taking into account the scale, specific aspects and nature of the activity.

With specific data (pre-selected from the statement of the financial state at the end of the period) of the enterprises (joint-stock companies) from the sample and through the general assessment models in subchapter ***1.4. Empirical research of the financial state by applying the general assessment models*** we have performed an analysis of their financial state. We have also assigned the corresponding mark (cf. Table 6).

Table 6. Summarized results from the assessment of the financial state for the period 2020 – 2022.

№	Non-financial enterprise	Assessment of the financial state		
		2020	**2021**	**2022**
1	Gradus AD	Sustainable	Sustainable	Sustainable
2	Tchaikapharma High Quality Medicines Corp.	Sustainable	Sustainable	Sustainable
3	Shelly Group AD	Sustainable	Sustainable	Sustainable
4	ELANA Agrocredit	Sustainable	Sustainable	Sustainable
5	Zarneni Hrani AD	Sustainable	Sustainable	Sustainable
6	Holding Varna AD	Sustainable	Sustainable	Sustainable
7	Sofia Commerce SA	Sustainable	Sustainable	Sustainable
8	Elhim-Iskra JSC	Sustainable	Sustainable	Sustainable
9	Sopharma	Sustainable	Sustainable	Sustainable
10	Fazerles	Sustainable	Sustainable	Sustainable
11	NEOCHIM AD	Sustainable	Sustainable	Sustainable
12	Chimimport AD	Sustainable	Sustainable	Sustainable
13	Korado-Bulgaria	Sustainable	Sustainable	Sustainable
14	M+S HYDRAULIC AD	Sustainable	Sustainable	Sustainable
15	Hydraulic Elements	Sustainable	Sustainable	Sustainable
16	Emka AD	Sustainable	Sustainable	Sustainable
17	Monbat AD	Unstable	Unstable	Unstable
18	Telelink Business	N/A	Sustainable	Sustainable
19	Agria Group	Crisis	N/A	Satisfactory
20	Speedy AD	Unstable	Crisis	Unstable
21	Eleven Capital	Sustainable	Sustainable	Satisfactory
22	Velgraf Asset Management	Satisfactory	Satisfactory	Unstable
23	Sirma Group Holding	N/A	N/A	Satisfactory
24	Doverie - Obedinen Holding	Crisis	N/A	Crisis
25	Albena AD	N/A	N/A	Crisis
26	Industrial Holding Bulgaria	N/A	N/A	Sustainable
27	Sinergon Holding	Satisfactory	N/A	Satisfactory
28	Stara Planina Hold	N/A	Sustainable	Sustainable
29	Alcomet AD	Satisfactory	Unstable	Sustainable
30	Bulgarian River Shipping J.S.Co.	N/A	N/A	Sustainable

Source: Author's own calculations based on data from the AFSs for the years 2020, 2021 and 2022, and the summarization of this information.

The following more important conclusions are systematized: 1) more than half of the non-financial enterprises (or more than 53% of the total number) maintain a sustainable financial state during the period 2020-2022; 2) in the case of one of the companies from the sample (Monbat AD), the financial situation for 2020, 2021 and 2022 is determined to be unstable; 3) in 2022, a general assessment of the financial state is carried out for all non-financial enterprises compared to 2020 and 2021, when their number is limited to 24 and 23, respectively; 4) more than 43% of the non-financial enterprises (or 13 of them out of a total of 30 in the sample) observed a modification of the financial state in the respective years.

Special attention is paid to the precision in the interpretation of the results because it is of key importance for solving current problems and preparing forecasts for the development of the activity in the future. It can be argued that the assessment of the financial state is entirely within the prerogative of the persons performing the actual part of the analysis. This means that it depends on their level of competence and the foresight with which they approach.

Subchapter ***1.5. Problematic areas of the financial state*** by means of empirical research, establishes certain indicators (including external and internal) in some of the non-financial enterprises, which within the current reporting period cause unfavorable transformations in terms of the financial state.

It is concluded that the financial indicators should cover analytical information from all components of the AFS prepared on the basis of the applicable IAS/IFRS, as it guarantees the objectivity, comprehensiveness, and usefulness of the financial and accounting analysis in general, and in particular of the analysis of the financial state.

2. Challenges in the distribution of dividends

Subchapter ***2.1. Formation and management of the accounting financial result*** is dedicated to the accounting financial result. The legislative decisions related to its formation are highlighted. It reflects the effective use of assets and liabilities in the activity for a certain reporting period. The reasons why, in accounting theory and practice, there are also opinions about not being treated as an absolute measure of the efficiency of the non-financial enterprise during the reporting period are described.

At the same time, during the period of the annual periodic reporting in the enterprises of the non-financial sector, various management methods are used, respectively for manipulation of the accounting financial result.

It is emphasized that any decision related to the management of the accounting financial result requires finding a balance between the corporate goals pursued by the governing body of the non-financial enterprise and the accounting rules and principles laid down in the applicable accounting framework.

Subchapter ***2.2. Legal regulation, accounting and tax treatment of dividends*** refers to the shareholder's right to receive part of the profit in the form of dividends as a fundamental property right.

It is possible that the term and method of their payment will not be determined in the decision of the General Meeting of Shareholders. It is established that this does not result in depriving or limiting the shareholders of their property right to receive part of the profit in the form of dividends and does not constitute a violation of the imperative requirement introduced by the decision of the General Meeting of Shareholders. It is emphasized that, depending on the adopted dividend policy, they can be distributed in advance or on an annual basis.

The conclusion is reached that the accounting reporting of dividends should correspond to the decision on their distribution taken at the General Meeting of Shareholders.

In subchapter ***2.3. Review and assessment of the dividend policy*** it is emphasized that in the individual accounting policies of a large part of the researched joint-stock companies there is not enough information about the dividend policy adopted by the management, or there is no separate section for it at all. This limits the users of financial information to understand what net profit distribution mechanism is used in them and what dividend payment technology is adopted.

It is established that the dividend policy has a simultaneous impact on the capital structure of joint-stock companies and on strategic decisions related to capital budgeting.

The external and internal factors that should be taken into account by non-financial enterprises in the course of its construction and successful integration into strategic financial management have been studied.

The regulatory framework concerning the procedure for distribution and payment of dividends to shareholders, which must be taken into account when forming the dividend policy, has been analyzed.

Emphasis is placed on the normative limitation of Art. 247a of the Commerce Act, which can be expressed through:

OE – D ≥ IC + RC, where:

OE is the owner's equity of the joint-stock company, which represents the net value of the property;

D is the amount of the dividend subject to distribution;

IC is the registered initial capital of the joint-stock company;

RC is the reserve capital of the joint-stock company, formed on the basis of the regulatory requirements.

This equation has helped us to establish the capacity of the joint-stock companies covered by the BGBX40 index to distribute annual dividends in 2023.

The conclusion is reached that it is recommended that the dividend policy adopted by joint-stock companies be fully synchronized with the procedure regulated in Art. 247a of the Commerce Act, regarding the distribution and payment of dividends to shareholders. In order to find an optimal balance between the interests of shareholders and the creation of opportunities for self-financing of joint-stock companies, it is necessary that the dividend policy be tied to strategic financial management, as well as not contradict the investment decisions that are made.

CONCLUSION

In the conclusion of the dissertation, the results of the research are presented. It can be argued that the main objective of the dissertation has been fulfilled and the thesis has been defended. The analyzed theoretical and normative statements and empirics are summarized.

The results of the conducted theoretical and applied research give reason to single out the following more important conclusions, which are of the nature of ideas and proposals for improving the annual periodic reporting in non-financial enterprises and increasing the quality of information in general purpose financial statements, as follows:

First. The existing theoretical and applied solutions regarding periodicity as a component of the accounting policy in non-financial enterprises are summarized. The accounting principle of going concern is of fundamental importance for the application of the established accounting policy and the preparation and presentation of the AFS. The appropriate disclosure of the accounting policy in the explanatory notes to the financial statements of general purpose provides a wide range of users with relevant, understandable, and reliable information when making economically justified decisions. A change in the accounting policy is appropriate only if more reliable and appropriate alternatives are identified for presenting the reporting objects, transactions, or other events in the financial statements of the enterprise.

Second. It is established that in the non-financial sector, unlike the public sector, there are no regulated specific legal requirements regarding the organization and manner of conducting internal control. The effective management of non-financial enterprises requires the creation and maintenance of a modern internal control system to serve as a mechanism for improving current reporting, respectively annual periodic reporting; minimizing risks within acceptable limits; limiting abuse, fraud, and error; improving activities, operations, and business processes; achievement of managerial goals and others. The implementation of control mechanisms should be in line with the internationally accepted internal control practices, concepts and/or frameworks. In this context, the applicability and effectiveness of the COSO model depend on the harmonious and sustainable functioning of the internal control components (including control environment, risk assessment, control activities, information and communication, monitoring activities).

Third. It is pointed out that impairment as a manifestation of accounting conservatism ensures compliance with the principle of prudence regulated in the Accountancy Act. This is of key importance for the reliable presentation of the assets in the AFS of the enterprises from the non-financial sector. It is established that the regulatory requirements of IAS 36 Impairment of Assets allow for a number of subjective assumptions on the part of the accountants and authors of financial statements during the annual testing of assets for impairment, as well as when calculating their recoverable amount. At the same time, the impairment model according to IFRS 9 Financial Instruments leads to earlier recognition of expected credit losses. The applicability of the impairment model can be influenced by the type of financial asset and its credit risk exposure.

Fourth. The increase in the number of concluded transactions in the practice of non-financial enterprises in the presence of relationships of connectivity necessitates a revision of the previous legal and accounting regulations at the international and national level. The importance of related party information (method and extent of disclosure) in the course of preparing and presenting the general purpose financial statements (or their explanatory annexes) is highlighted. The connection between business entities has been analyzed through specific situations from the practice of enterprises concerning control, joint control, significant influence, the principle of priority of content over form, the definition of a close family member in accordance with IAS 24 Related Party Disclosures.

Fifth. A comparative analysis has been made between financial reporting and integrated reporting, respectively between the financial and the integrated statement. The information resulting from financial reporting represents transactions and events that took place in the past and is primarily of a financial nature. Integrated reporting bears the marks of an (r)evolution in reporting and presents to a wide range of users financial and non-financial information of strategic importance in the context of the environmental and social impact and good corporate governance of the non-financial enterprise. Important aspects for the implementation of integrated reporting are outlined – member states should provide adequate and effective mechanisms and methods to ensure that non-financial information is reliably disclosed in accordance with the provisions of Directive 2014/95/EU. This information should be sufficiently comparable between individual business structures and largely integrated with the financial information presented in the financial statements and other.

Sixth. The advantages of the analysis of the financial state of the enterprise are highlighted. Models are presented for a general assessment of the financial state with a view to meeting the information needs of external users and management regarding the current financial state. The proposed conceptual apparatus for establishing the financial state provides an opportunity to prepare forecasts for the future development of the independent economic activity of the enterprise.

Seventh. The specific aspects arising in the accounting practice of the enterprises are analyzed in connection with the formation and management of the accounting financial result, as well as with the legal, tax and accounting treatment of dividends. A review and evaluation of external and internal factors determining the dividend policy of the investigated joint-stock companies has been carried out. It is reasonably recommended that the dividend policy be synchronized with the procedure regulated in the Commerce Act regarding the distribution and payment of dividends to shareholders. In an effort to seek an optimal balance between the interests of shareholders and the creation of opportunities for self-financing of joint-stock companies, it is recommended that the dividend policy be tied to strategic financial management and not contradict investment and management decisions.

It is acknowledged that the present study does not cover all possible aspects to improve annual periodic reporting in non-financial enterprises. A considerable amount of evidence is presented in support of the thesis that annual periodic reporting in non-financial enterprises is a key process that not only reflects the financial aspects of their activity, but also requires systematic analysis and optimization, with the aim of improving corporate governance and attracting potential investors, respectively prerequisites are created for annual periodic reporting to be integrated as a strategic tool for achieving sustainable financial development and competitive advantage of non-financial sector enterprises.

IV. REFERENCE OF SCIENTIFIC CONTRIBUTIONS IN THE DISSERTATION

The theoretical and practical studies allow us to outline the following significant contributions of a scientific and scientific and applied nature:

1. In order to enrich accounting theory and optimize accounting practice, the factors influencing the development of a modern model of accounting policy have been systematized and its role for the purposes of annual periodic reporting has been analyzed; the applied aspects of the going concern principle when preparing the AFS are highlighted; a critical-constructive analysis of the COSO Integrated Internal Control Framework and its components in the context of the annual periodic reporting has been carried out.

2. As a result of an in-depth study of the specialized literature and applicable regulations, the opinion is substantiated that impairment as a manifestation of accounting conservatism ensures compliance with the principle of prudence, regulated in the Accountancy Act. Through the author's own research, it has been proven that the provision matrix as a method for implementing the simplified impairment approach is more accessible for application in short-term trade receivables (with a maturity of up to 12 months) than in long-term trade receivables.

3. The significance of related party information (method and degree of disclosure) in the course of the preparation and presentation of the general purpose financial statements (or explanatory appendices to them) has been argued and analyzed. The connection between business entities is visualized (researched) through specific situations from the practice of enterprises regarding control, joint control, significant influence, the principle of priority of content over form, the definition of a close family member in accordance with IAS 24 Related Party Disclosures. This facilitates the generation of transparent information necessary for making informed economic decisions by external users.

4. On the basis of a comprehensive and purposeful study of the current regulations and the practice of non-financial enterprises (joint-stock companies), whose securities are traded on the BSE, the problem areas in the implementation of the annual periodic reporting have been identified and opportunities for improving the organization and technology of the procedures in the accounting and reporting process have been proposed. This facilitates the preparation of general purpose financial statements whose primary purpose is to make the information contained therein useful. The criteria for comparison between traditional financial reporting and integrated reporting are outlined in accordance with the current regulatory requirements for the implementation of a policy of environmental and social impact

and good corporate governance by the investigated enterprises.

5. The statement is substantiated that the analysis of the enterprise's financial state as a set of systematized and analytical procedures has a clearly expressed positive effect. Reasoned models for general assessment of the financial state are intended for the information needs of external users and management regarding the current financial state. By means of the proposed toolkit for establishing the financial state, it is possible to prepare forecasts for the future development of the independent economic activity of the enterprise.

V. LIST OF PUBLICATIONS RELATED TO THE TOPIC OF THE DISSERTATION

Articles:

1. Chipriyanova, G., **Luchkov, K.** (2023). The impairment of assets in the context of the annual accounting close. *ICPA*, issue 1, pp. 1-20. ISSN: 1314-8990.
2. **Luchkov, K.** (2022). Highlights of the annual accounting closing in non-financial enterprises. *Dialogue*, issue 1, pp. 68-81. ISSN: 1311-9206.
3. **Luchkov, K.** (2021). Relevant aspects of the accounting policy in non-financial enterprises. *ICPA*, issue 4, pp. 1-16. ISSN: 1314-8990.

Papers:

1. **Luchkov, K.** (2021). Financial Statement or Integrated Statement. *Proceedings from the International Scientific and Practical Conference "Sustainable Development and Socio-Economic Cohesion in the 21st Century - Trends and Challenges"*. Svishtov, 8-9 November 2021, volume I, pp. 643-648. ISBN: 978-954-23-2070-8 (online).
2. **Luchkov, K.** (2020). Comparative analysis between traditional financial reporting and integrated reporting. *E-proceedings "Integrated reporting in enterprise management"*. Svishtov, Tsenov Publishing, pp. 205-213. ISBN: 978-954-23-1920-7 (online).

VI. RERENCE OF MEETING THE MINIMUM NATIONAL REQUREMENTS FOR OBTAINING THE EDUCATIONAL AND SCIENTIFIC DEGREE OF DOCTOR

Indicator	Points
Group of indicators A. ***Indicator 1. Dissertation for awarding the educational and scientific degree of Doctor.***	
Theoretical and applied aspects of annual periodic reporting in non-financial enterprises	50
The dissertation has been discussed and a defense procedure has been opened.	
Group of indicators D. *Sum of the indicators from 4 to 10*	
7. Articles and papers published in non-refereed peer-reviewed journals or published in edited collective volumes	
Chipriyanova, G., Luchkov, K. (2023). The impairment of assets in the context of the annual accounting close. ICPA, issue 1, pp. 1-20. ISSN: 1314-8990	8,5
Luchkov, K. (2022). Highlights of the annual accounting closing in non-financial enterprises. Dialogue, issue 1, pp. 68-81. ISSN: 1311-9206	10
Luchkov, K. (2021). Relevant aspects of the accounting policy in non-financial enterprises. ICPA, issue 4, pp. 1-16. ISSN: 1314-8990	10
Luchkov, K. (2021). Financial Statement or Integrated Statement. Proceedings from the International Scientific and Practical Conference “Sustainable Development and Socio-Economic Cohesion in the 21st Century - Trends and Challenges”. Svishtov, 8-9 November 2021, volume I, pp. 643-648. ISBN: 978-954-23-2070-8 (online)	10
Luchkov, K. (2020). Comparative analysis between traditional financial reporting and integrated reporting. E-proceedings “Integrated reporting in enterprise management”. Svishtov, Tsenov Publishing, pp. 205-213. ISBN: 978-954-23-1920-7 (online)	10
Total points – sum of the indicators from 4 to 10	***48,5***
Required points – sum of the indicators from 4 to 10	**30**

VII. DECLARATION OF ORIGINALITY OF THE DISSERTATION

by Kiril Ivanov Luchkov - No. d010121252, full-time doctoral student at the Department of Accounting at the Dimitar Apostolov Tsenov Academy of Economics – Svishtov

In reference to the procedure for obtaining the educational and scientific degree of Doctor under the doctoral program "Accounting, control and analysis of economic activity (accounting)", I declare that the presented dissertation in a total volume of 243 pages on the topic: "Theoretical and applied aspects of annual periodic reporting in non-financial enterprises" is an original author's work. It uses author's ideas, texts and visualization through figures and tables, and all the requirements of the Copyright Act and related rights are complied with by proper citing and referring to other authors' opinions and data.

The results and contributions in a dissertation work on the topic: "Theoretical and applied aspects of annual periodic reporting in non-financial enterprises" are original and are not borrowed from research and publications in which the author has no participation. Results obtained, described and/or published by other authors are duly cited in the text and included in the bibliography. The information presented in the appendices corresponds to the objective truth.

The dissertation on the topic: "Theoretical and applied aspects of annual periodic reporting in non-financial enterprises" has not been applied for the acquisition of a scientific degree in another higher school or scientific institute.

18 March 2024 Declarant:

Svishtov

/Kiril Luchkov/