

**TO THE MEMBERS OF THE SCIENTIFIC JURY
FOR THE PROCEDURE FOR THE ACQUISITION
OF EDUCATIONAL AND SCIENTIFIC DEGREE
"DOCTOR" IN THE DOCTORAL PROGRAMME
"ACCOUNTING, CONTROL AND ANALYSIS OF
ECONOMIC ACTIVITY (ACCOUNTING)"**

REVIEW

Reviewer: Prof. Emilia Georgieva Milanova-Tsoncheva, PhD, Higher School of Insurance and Finance (VUZF), "DEPARTMENT OF ACCOUNTING AND AUDIT", Scientific specialty: Accounting, control and analysis of economic activity

Author of the dissertation: Kiril Ivanov Luchkov, PhD student in full-time study at the Department of Accounting, „D. A. Tsenov Academy of Economics“ — Svishtov, in the field of higher education: 3. Social, economic and legal sciences, professional direction: 3.8. Economy, doctoral program: Accounting, control and analysis of economic activity (Accounting).

Dissertation topic: "THEORETICAL-PRACTICAL ASPECTS OF THE ANNUAL PERIODIC REPORTING IN NON-FINANCIAL ENTERPRISES"

Scientific adviser: Assoc. Prof. Galina Simeonova Chipriyanova, PhD

Reason for submitting the review: participation in the scientific jury for defence of the dissertation paper acc. to Order № 233/09.03.2024 by the Rector of „D. A. Tsenov Academy of Economics“ — Svishtov.

This review has been prepared in accordance with the requirements of the existing Law on the Development of the Academic Staff, the Rules for its Application and the Rules for the Development of the „D. A. Tsenov Academy of Economics“ - Svishtov.

I. General presentation of the dissertation work

The dissertation has a total volume of 243 pages, and the presentation is structured in an introduction, three chapters, a conclusion, references and appendices. The bibliography contains 118 sources, the majority of which are in Bulgarian (91 items). There are 6 appendices, 10 figures and 28 tables within the main text. A declaration of authenticity and originality is attached.

The introduction presents **the actuality** of the topic and it is related to the processes of globalization in the market-economic environment in which non-financial enterprises function and the needs of modern society for true and accurate information about the financial condition of the non-financial enterprise and the results of its activity in the context of sustainable development and corporate governance in the business environment.

II. Assessment of the form and content of the dissertation

The object and the subject of the study are correctly defined: **the object** - the annual periodic reporting in non-financial enterprises, and **the subject** - the possibilities of the metrized result of the enterprise's activity in the form of GFO prepared on the basis of the International Accounting Standards (IAS) and the International Standards for Financial accounting (IFRS) as an applicable accounting basis for the needs of external users and to improve management efficiency.

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

To achieve the goal of the dissertation, the following **research tasks** were set and fulfilled: 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 some of the elements of the financial statements of general purpose on the qualitative characteristics of the usefulness of the information in the GFO; 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 argue models for a general assessment of the financial state of the enterprise, with which it can be established at a certain point in time and, on this basis, to support the preparation of forecasts for the future development of its independent economic activity; 5) to analyze the 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. The presented tasks provide a clear orientation for the content of the dissertation work and correspond to the set research objective.

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*.

The dissertation uses appropriate **research methods**, which are presented in the introduction: induction, deduction, historical approach, normative approach, empirical analysis, comparison, analysis and synthesis, statistical tools for processing primary information and others.

The limitations of the research are correctly indicated: for a more complete focus on the goal and the implementation of the tasks: 1) non-financial enterprises registered on the BSE (reflected in Appendix No. 3) were studied due to the strategic interest in their independent economic activity, resp. 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) the annual periodic reporting is examined in the context of the basic assumption of a going concern (the application of a liquidation or other appropriate basis is not considered); 5) the analysis is primarily focused on the financial condition of the investigated joint stock companies and their dividend policy.

A significant and well-chosen volume of literary sources was used in the development of the dissertation. Demonstrated very good knowledge of the theoretical and applied aspects of annual periodic reporting in non-financial enterprises.

The separate parts of the dissertation work are developed in a logical sequence, namely:

In the introduction, relevance, purpose, tasks, object and subject are highlighted. The research thesis is formulated. Research methods are indicated. Limitations are presented.

The first chapter is entitled "Organizational basis of the annual periodic reporting" and in accordance with the modern requirements and current regulations, the doctoral student's attention is focused on periodicity as an important component of the accounting policy, and it is presented as one of the mechanisms for information assurance and realization of management goals and management strategy during the individual reporting periods. The factors that influence the formation and implementation of the accounting policy are summarized, as well as the circumstances that necessitate its change, insofar as its appropriate disclosure in the explanatory appendices to the financial statements guarantees the provision of relevant, understandable and reliable information for making informed economic decisions by a wide range of users. Particular attention is paid to the reflection of the assumption principle "going concern" on the application of the accounting policy (through IAS 570 "Going enterprise" are summarized factors causing significant doubts about the ability of the enterprise to continue functioning as a going concern). The technological features of annual periodic reporting are presented through the relationship between current reporting and annual periodic reporting. The organizational parameters and chronological aspects of the annual periodic reporting in its classical form are derived. The inventory of assets and liabilities has been studied as a reliable way of providing information on the changes in the composition and structure of the assets and liabilities of business entities as of the date of the GFO. As part of the organizational basis of the annual periodic reporting, the Integrated Internal Control Framework based on the COSO model and its components are presented, relevantly, through appropriate interpretations. I support the generalization made that the applicability and effectiveness of the COSO model depend on the harmonious and sustainable functioning of all components of internal control (including control environment, risk assessment, control activities, information and communication, monitoring activities).

In chapter two "Specific requirements for the presentation of information in the financial statements for general purposes", several main points are formulated in order to achieve the predefined tasks: study of guidelines for subsequent evaluation of some of the elements of the financial statements; examination of transactions between related parties and their disclosure in financial statements and comparative analysis between financial statements based on IAS/IFRS and integrated statements. The identification and testing of assets subject to impairment is presented in an original manner, in accordance with the requirements of IAS 36 "Impairment of Assets" by emphasizing the practical application of the manifestation of accounting conservatism and compliance with the principle of prudence in accounting. The peculiarities of the impairment of financial assets have been interpreted and summarized in accordance with the requirements of IFRS 9 "Financial instruments" and correct conclusions have been drawn from the observations in the practice of the enterprises from the non-financial sector from ch. t. of the matrix of provisions as a method for implementing the simplified impairment approach.

We positively assess the discussed material issues from the practice of enterprises regarding transactions between related parties and their disclosure in general purpose financial statements. After an in-depth analysis, the importance of related party information (method and degree of disclosure) in the course of the preparation and presentation of the general purpose financial statements, incl. the explanatory appendices to them. Through specific situations from the practice of the enterprises, the connection between the business entities concerning control through the prism of IAS 24 "Disclosure of related parties" has been studied and analyzed.

In the last part of this chapter, an answer is sought for the reporting model - financial reporting or integrated reporting. For this purpose, the PhD student has performed a comparative analysis between financial statements based on IAS/IFRS and integrated statements and has adopted the correct position that integrated reporting as an evolution of reporting 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. In this part, the thesis could have gained more if the analysis had continued after April 21, 2021, when a proposal for a new directive was published with reasons for the need for improvements: the information disclosed is not sufficient for consumers; the information is not sufficiently reliable nor sufficiently comparable between enterprises; the lack of precision in requirements and the existing large number of private standards and frameworks make it difficult for enterprises. In December 2022, Directive (EU) 2022/2464 was published (amending Regulation (EU) No. 537/2014... and Directive 2013/34/EU, with regard to the reporting of enterprises in relation to sustainability), which replaces Directive 2014/95/EU (amending Directive 2013/34/EU with regard to the disclosure of non-financial and diversity information by certain large undertakings and groups).

In chapter three, "**Analysis of the financial situation and challenges in the distribution of dividends**", the object of research is the financial situation of non-financial enterprises. After the general description of the financial situation, with the help of the logical connections and dependencies between the individual elements of the statement of the financial situation, at the end of the period, four models for the general assessment of the financial situation are distinguished - stable, satisfactory, unstable and crisis. Through appropriately conducted empirical research, indicators (including external and internal) are established in some of the non-financial enterprises, which within the current reporting period cause unfavorable transformations in terms of financial status. As a positive point, we appreciate the revealed connection of the precision in the interpretation of the results with the preparation of forecasts for the development of the independent economic activity of the companies. The logical connection between the formation and management of the accounting financial result with the research on the legal regulation, tax treatment and accounting of dividends in joint-stock companies and the evaluation of their dividend policy was correctly chosen.

The conclusion contains the main conclusions and assessments of the doctoral student as summarized results of the content of the three parts, which are the basis for deriving and formulating the most important achievements and contributions of the dissertation work.

Overall, the dissertation is written clearly, in a logical sequence and in very good style. The dissertation is well structured, and its constituent parts are successfully formulated, completed and balanced. We consider it to be the personal work of the doctoral student.

Literary sources and current legal acts have been used in good faith and correctly.

The abstract of the dissertation is developed in a volume of 40 pages and is well structured, contains the necessary elements and information that correspond to the content of the dissertation work, reflect the results achieved by the author and the main points of contribution.

On the topic of the dissertation, 3 articles (one of which was co-authored) and two scientific reports were published in specialized publications. The presented publications include important parts of the dissertation work and contain significant results of the conducted scientific research, which gives reasons to consider that the dissertation has been approved and popularized to a high degree.

Assessment of the fulfillment of the minimum national requirements: from the submitted Reference for fulfillment by the doctoral student of the minimum national requirements for acquiring the educational and scientific degree "doctor" in the professional direction 3.8. Economics, we found that the minimum national requirements are met - a total of 98.5 points (at min. 80).

III. Scientific and scientific-applied contributions of the dissertation work

The in-depth review of the dissertation gives us reason to confirm the following *contributions of a scientific and scientific-applied nature*:

□ In order to enrich accounting theory and optimize accounting practice, the factors influencing the development of a modern model of accounting policy were systematized and its role was analyzed for the purposes of annual periodic reporting; the applied aspects of the "operating enterprise" principle when preparing GFO are highlighted; a constructive analysis of the Integrated Internal Control Framework according to the COSO model and its components in the context of the annual periodic reporting was carried out.

□ 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 Accounting Law. Through the author's 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.

□ Through scientific and applied analysis, the importance of related party information (method and degree of disclosure) in the course of preparing and presenting the general purpose financial statements (or the explanatory appendices to them) is argued. The connection between business entities was investigated through specific situations from the practice of enterprises in accordance with IAS 24 "Disclosure of related parties". This facilitates the generation of transparent information necessary for making sound economic decisions by external users.

□ On the basis of a comprehensive and targeted 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 were identified and opportunities were proposed to improve the organization and technology of the procedures on the accounting and reporting process. 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 for the implementation of environmental and social impact policy and good corporate governance by the investigated enterprises are outlined.

□ It has been proven that the analysis of the company's financial situation as a set of systematized and analytical procedures has a clearly expressed positive effect. The appropriate and well-argued models for general assessment of the financial condition are intended for the information needs of external users and management regarding the current financial condition and provide an opportunity to prepare forecasts for the future development of the independent economic activity of the enterprise.

IV. Dissertation critical notes, questions and recommendations

Questions for the PhD student:

1. How the transposition of Directive (EU) 2022/2464..... with regard to the reporting of enterprises in relation to sustainability in the Accounting Act will affect the sustainability reporting (creation of "sustainability information") of companies from the non-financial sector in the context of environmental and social factors and risks and good corporate governance (ESG), given that in July 2023 European Sustainability Reporting Standards (ESRS) adopted?

V. Summary Conclusion and Opinion

On the basis of the above for the dissertation work "Theoretical-applied aspects of annual periodic reporting in non-financial enterprises" by Kiril Ivanov Luchkov, we consider that **all the requirements** of the Law on the Development of the Academic Staff in the Republic of Bulgaria and the Regulations for its implementation **have been met**. The presented materials and dissertation results **fully comply** with the

specific requirements of the Regulations for the Development of the Academic Staff at the "D. A. Tsenov" - Svishtov.

The doctoral student has presented a completed scientific research, with which he convincingly shows that he can systematize unsolved problems and scientific theses in the specific scientific field; critically interpret the discussed issues; successfully conduct independent scientific research. The dissertation contains scientific and applied scientific results, which can be evaluated as *original in theoretical and practical aspects*.

Bearing in mind everything presented up to this point, I confidently give a **positive assessment** of the conducted research in the dissertation work and **propose to the honorable scientific jury to award the educational and scientific degree "Doctor" to Kiril Ivanov Luchkov** in the field of Higher Education 3. Social, Economic and Legal Sciences; Professional direction 3.8. Economics; doctoral program "Accounting, control and analysis of economic activity (accounting)".

06.05.2024

Reviewer:

(Prof. Emilia Milanova, PhD)