

OPINION

of a dissertation for awarding the educational and scientific degree of Doctor in the Doctoral programme "Accounting, control and analysis of economic activity (accounting)" at D. A. Tsenov Academy of Economics – Svishtov

Prepared the opinion: Assoc. Prof. Dr. Diana Toneva Krumova, Scientific specialty "Accounting, control and analysis of economic activity (accounting)", Department of Accounting at D. A. Tsenov Academy of Economics – Svishtov, member of the Scientific Committee for the defence of the dissertation according to Order № 233/29.03.2024 of the Rector of D. A. Tsenov Academy of Economics – Svishtov, based on Art. 70 of the Regulations for the Development of the Academic Staff at D. A. Tsenov Academy of Economics – Svishtov and decision of the Faculty of Economic Accounting, Protocol № 8/28.03.2024.

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Dissertation title: "THEORETICAL AND APPLIED ASPECTS OF ANNUAL PERIODIC REPORTING IN NON-FINANCIAL ENTERPRISES"

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

The statement is prepared in accordance with the requirements of the Law on the Development of Academic Staff in Republic of Bulgaria, the Regulations for the Development of Academic Staff at D. A. Tsenov Academy of Economics – Svishtov and the exemplary structure of an opinion written by a member of the Scientific Committee for awarding the educational and scientific degree of Doctor at D. A. Tsenov Academy of Economics – Svishtov.

I. General characteristics of the dissertation

The subject of this dissertation is the possibilities of the metricized result of the enterprise's activities in the form of an annual financial report (AFR), prepared on the basis of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) to satisfy the information needs of external users and to improve management efficiency.

The main research thesis is 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 to improve corporate governance and attract potential investors. It can be integrated as a tool for achieving sustainable financial development and competitive advantage of enterprises from the non-financial sector.

The dissertation consists of 207 standard pages of main text (including 1 cover page and 3 pages of table of contents), 9 pages of bibliography (101 literary sources, 91 in Bulgarian and 10 in English, including electronic sources) and 6 appendices. The dissertation is structured in: introduction (8 pages), argument in three chapters (first – 65 pages, second – 70 pages, third – 55 pages) and conclusion (5 pages). Supporting the exposition are 10 figures and 28 tables.

In the **introduction**, the relevance of the development has been outlined, the object and subject of the scientific research have been formulated, as well as the aim and specific tasks of the dissertation work, the research thesis being defended, the methodology, and the limiting conditions of the research.

In the **first chapter**, attention is directed towards periodicity as an important component of accounting policy. Factors influencing accounting policy and circumstances necessitating its change have been examined. Special attention has been given to the “going concern” principle. The relationship between current reporting and annual periodic reporting has been elucidated. Organizational and chronological aspects of annual periodic reporting have been delineated. The inventory of assets and liabilities as a means to ensure changes in the assets and liabilities of economic entities as of the date of the AFR have been studied. The COSO Integrated Internal Control Framework and its components have been argumentatively presented.

In the **second chapter**, guidelines for subsequent assessment of some of the elements of the AFR are examined. Attention is drawn to impairment of assets in the context of annual periodic reporting. The characteristics of impairment of financial assets in accordance with the requirements of IFRS 9 Financial Instruments have been visualized. Issues from practice concerning transactions between related parties and their disclosure in general purpose financial statements are discussed. An attempt has been made to analyze them in harmony with IAS 24 Related Party Disclosures. An answer to the question of the reporting model – financial reporting or integrated reporting – has been searched. A comparative analysis between financial statements and integrated reports has been conducted. A critical assessment of non-financial information in financial statements has been made.

In the **third chapter**, the essence of the concept of financial state is defined. A critical assessment of information assurance and limitations in the

analysis of the financial state is made. Models for general assessment of the financial state are proposed, which identify it as sustainable, satisfactory, unstable or crisis. With specific data pre-selected from the statement of the financial state at the end of period of the enterprises from the sample and through the general assessment models, an analysis of their financial state is conducted. The relationship between the precision in interpreting the results and making forecasts for the development of their economic activities is revealed. The formation and management of the accounting financial result, legal regulation, accounting and tax treatment of dividends in joint-stock companies, as well as the evaluation of their dividend policy, are studied.

In the **conclusion of the dissertation**, the results of the research are summarized, which are the basis of the contributions in the dissertation.

II. Assessment of the form and content of the dissertation

The dissertation explores current issues related to the theoretical and applied aspects of annual periodic reporting in non-financial enterprises. The focus is on non-financial enterprises – joint-stock companies registered in Commercial Register and Register of Non-Profit Legal Entities (RNPLE) within the territory of Republic of Bulgaria, which are included in the scope of the BGBX40 index. The selected joint-stock companies, participating in the regulated financial market and whose issuances are included in the index based on two criteria: the median of the daily turnover for the last six months and the number of transactions for the last six months are of great interest to both external and internal stakeholders. They should be attractive to investors and creditors by providing information in the AFR that meets the criteria of transparency, accuracy, relevance, reliability, timeliness and comparability. The “outgoing” information intended for the management body should possess the qualities of elasticity and usefulness.

In this context, the **topic** of the scientific research is **relevant** and **significant** for accounting theory and practice.

Structurally, technically, as well as **linguistically** and **stylistically**, the dissertation is at a very high level. The individual parts of the dissertation are proportionate and logically connected. Its **volume** is in accordance with the quantitative requirements for this type of research, sufficient to substantiate and defend the research thesis.

The research process utilizes an appropriate **scientific toolkit** of traditional research **methods** and **approaches**, applied correctly – analysis and synthesis, methods of induction and deduction, historical and descriptive methods, statistical tools for processing primary information, etc. Empirical

research and observations have been conducted in 30 joint-stock companies with different objects of activity, operating in the non-financial sector, registered in Commercial Register and Register of Non-Profit Legal Entities in Bulgaria. The selected through the method of random stratified sampling companies, fall within the scope of the BGBX40 index, which has been listed on the Bulgarian Stock Exchange (BSE) since January 2, 2014. The shares of the companies from the sample are publicly traded on a regulated market.

The dissertation defines problems and proposes solutions, attempts are made to analyze definitions, as well as conclusions, recommendations and definitions are formulated. The author's ideas and opinions are highlighted. Appropriately formatted figures and tables are used to illustrate the presented statements and facilitate their comprehension by the reader.

The abstract has a total volume of 42 pages and presents in a synthesized form the entirety of the dissertation, its scientific contributions and publications related to the topic, as well as compliance with the minimum national requirements and a declaration of originality. **The reference of scientific contributions** contains the main scientific achievements in the dissertation work. **The list of publications related to the topic of the dissertation** includes 5 publications, comprising 3 articles (2 solo-authored and 1 co-authored) and 2 scientific reports. They contain ideas developed by the author, which are part of the dissertation and have gained recognition among a wide audience. **The reference of meeting the minimum national requirements for obtaining the educational and scientific degree of doctor** shows 48.5 points, surpassing the required 30 points.

The attached **list of participations in scientific forums** indicates 8 participations in scientific conferences, 2 participations in round table discussions, and 1 participation in a Doctoral Scientific Session.

The literary sources and regulatory acts have been used conscientiously, as confirmed by the **declaration of originality of the dissertation** attached to the abstract of the dissertation.

III. Scientific and scientific-applied contributions of the dissertation

In the dissertation, the following significant **scientific and scientific-applied contributions** stand out:

- The factors influencing the development of a modern accounting policy model 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 annual financial statements have been identified. A critical-

constructive analysis of the COSO Integrated Internal Control Framework and its components has been conducted.

- The argument is substantiated that impairment, as a manifestation of accounting conservatism, ensures compliance with the principle of prudence regulated in the Accounting 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 than in long-term ones.

- The significance of related party information in the course of preparation and presentation of the general purpose financial statements has been argued and analyzed. The connection between business entities is researched through specific situations from corporate practice, regarding control, joint control, significant influence, the principle of priority of content over form and 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.

- As a result of in-depth research into the practices of the joint-stock companies whose securities are traded on the Bulgarian Stock Exchange, 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 aids in the preparation of general purpose financial statements that provide useful information. The criteria for comparing traditional financial reporting with integrated reporting are outlined in accordance with the current regulatory requirements for implementing policy of environmental and social impact and good corporate governance by the investigated companies.

- 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.

IV. Dissertation related questions

Despite the effort to provide well-argued presentations of the author's viewpoints, in some instances within the exposition, a more precise and in-depth theoretical and practical substantiation of certain observations, conclusions and

proposals is necessary. The following **question** from the dissertation is of interest:

- What is the dividend policy of the researched companies regarding dividends received from long-term investments, accounted for using the cost method and the equity method?

V. Summary evaluation of the dissertation and conclusion

The presented dissertation represents an independent, completed and original scientific study. It contains scientific and scientific-applied contributions to the issues of annual periodic reporting in non-financial enterprises.

The quantitative and qualitative assessment of the dissertation on the topic “Theoretical and Applied Aspects of Annual Periodic Reporting in Non-Financial Enterprises” give me the reason to declare a **positive opinion** and to **support the awarding of the educational and scientific degree of Doctor** in the Doctoral Programme “Accounting, control and analysis of economic activity (accounting)” to **Kiril Ivanov Luchkov**.

Svishtov, 6 May 2024

Prepared the opinion: _____

(Assoc. Prof. D. Krumova, PhD)