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The Mechanism of Continuous Activity in the Management of the Company's Financial Stability

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Abstract

The need for performance analysis and business continuity assessment is becoming increasingly important. Not the last role is played by the worsening economic situation and the economic crisis that is developing against the backdrop of the Covid-19 pandemic that has swept the world. At the present stage of economic development, in connection with the acute problem of the financial instability of individual economic entities, it becomes necessary to accurately predict the insolvency and the likelihood of the risk of bankruptcy of the organization in terms of carrying out procedures aimed at determining the continuity of activities. The work is of an overview nature. The work used such economic methods of cognition as methods of selection and analysis of scientific information, a systematic approach, a method of comparison, and formal logic. The methods of selection and analysis of scientific information were used in the analysis of literature. The works of domestic and foreign scientists were supplemented by regulatory and legislative acts in the financial field. Sustainability analysis is based on the concept of business continuity. Continuity can be analyzed using different models and indicators, but all types of economic performance evaluation involve studying the company's balance sheet. The application of the continuity mechanism reflects the real situation of the company's stability and allows you to see problems in advance and avoid bankruptcy. The results of this study may be of interest both to supervisory and regulatory authorities, and investors, and internal services that control the financial stability of insurance companies.

Keywords: Economics, Strategy, Financial Stability, Going Concern Mechanism, Asset Quality, Risks

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Кәсіпорынның қаржылық тұрақтылығын басқарудағы үздіксіз қызмет механизмі

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Түйін

Өнімділікті талдау және бизнестің үздіксіздігін бағалау қажеттілігі барған сайын маңызды болып отыр. Соңғы рөлді экономикалық жағдайдың нашарлауы және әлемді шарпыған Ковид-19 пандемиясының аясында дамып жатқан экономикалық дағдарыс ойнамайды. Экономикалық дамудың қазіргі кезеңінде жеке шаруашылық жүргізуші субъектілердің қаржылық тұрақсыздығы мәселесінің өткір проблемасына байланысты ұйымның төлем қабілетсіздігі мен банкроттық тәуекелінің ықтималдығын нақты болжау қажет болады. іс-әрекеттердің үздіксіздігін анықтау. Жұмыс шолу сипатында. Жұмыста ғылыми ақпаратты іріктеу және талдау әдістері, жүйелік көзқарас, салыстыру әдісі және формальды логика сияқты танымның экономикалық әдістері қолданылды. Әдебиеттерді талдауда ғылыми ақпаратты таңдау және талдау әдістері қолданылды. Отандық және шетелдік ғалымдардың еңбектері қаржы саласындағы нормативтік және заңнамалық актілермен толықтырылды. Тұрақтылықты талдау бизнестің үздіксіздігі тұжырымдамасына негізделген. Үздіксіздікті әртүрлі модельдер мен көрсеткіштерді қолдану арқылы талдауға болады, бірақ экономикалық нәтижелерді бағалаудың барлық түрлері кәсіпорынның балансын зерттеуді қамтиды. Үздіксіздік механизмін қолдану компания тұрақтылығының нақты жағдайын көрсетеді және проблемаларды алдын ала көруге және банкроттықты болдырмауға мүмкіндік береді. Бұл зерттеудің нәтижелері қадағалау және реттеуші органдар үшін де, инвесторлар үшін де, сақтандыру компанияларының қаржылық тұрақтылығын бақылайтын ішкі қызметтер үшін де қызықты болуы мүмкін.

Негізгі сөздер: экономика, стратегия, қаржылық тұрақтылық, үздіксіз қызмет механизмі, активтердің сапасы, тәуекелдер

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Механизм непрерывной деятельности в управлении финансовой устойчивости компании

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Аннотация

Потребность в анализе деятельности и оценке непрерывности бизнеса приобретает все большее значение. Не последнюю роль играет ухудшение экономической ситуации и экономический кризис, развивающийся на фоне охватившей мир пандемии Covid-19. На современном этапе развития экономики в связи с острой проблемой финансовой неустойчивости отдельных экономических субъектов возникает необходимость точного прогнозирования неплатежеспособности и вероятности риска банкротства организации в части проведения процедур, направленных на определение непрерывности деятельности. Работа носит обзорный характер. В работе были использованы такие экономические методы познания, как методы отбора и анализа научной информации, системный подход, метод сопоставления и формальная логика. Методы отбора и анализа научной информации применялся при анализе литературы. Труды отечественных и зарубежных ученых были дополнены нормативными и законодательными актами в финансовой области. Анализ устойчивости базируется на понятии непрерывности деятельности компании. Непрерывность можно проанализировать, используя разные модели и показатели, но все виды экономической оценки эффективности предполагают изучение баланса компании. Применение механизма непрерывности отражает реальную ситуацию устойчивости компании и позволяет заранее видеть проблемы и избежать банкротства. Результаты данного исследования могут представлять интерес как для надзорных и регулирующих органов, так и для инвесторов, и для внутренних служб, контролирующих финансовую устойчивость страховых компаний.

Ключевые слова: экономика, стратегия, финансовая устойчивость, механизм непрерывной деятельности, качество активов, риски.

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Introduction

Currently, the necessity to analyze operations and evaluate continuity gains more value, not least to be mentioned are the economic decline and the economic crisis, expanding with the COVID-19 pandemics spreading around the world. The interest in sustainable operations and their evaluation is growing due to several international corporate scandals which took place recently. This conception, in fact, does not represent the prerogative of audit; it is applied mainly while the organization is preparing its financial reports.

A pre-condition of sustainable operations represents one of the main terms for economic growth and stability both at the national and institutional levels. Therefore, during economic and financial crises, the accent while making managerial decisions shifts to corporate efficiency and ratio since available internal and external sources of corporate resources get reduced or become indefinite. The meaning of sustainable operations pre-condition increases – the economics subjects in "hard time" start facing serious operational problems, if the pre-condition will not duly implement.

In relation to the significant problem with financial instability of some economic subjects in emerging economic circumstances, it is necessary to introduce quick, accurate, and early forecasting systems to avoid violation of sustainable operations pre-condition. This problem specifically gets worse due to the increasing number of bankrupted companies, so the need for early bankruptcy risk alerts increases. Early bankruptcy alerting will introduce prevention measures and save the company by timely execution of recreational actions. Bankruptcy does not happen at once and unexpectedly; this is a process when the deterioration of the company state occurs gradually. Some scientists even divide this process into stages. A detailed study of the bankruptcy process shall assist with its early forecasting, at the same time an early forecast shall assist with its prevention.

The purpose of the study is to consider the theoretical issues of financial stability and the mechanism of companies' business continuity by analyzing previous studies, scientific literature and auditing and financial reporting standards.

The practical value of the research. This research can be of interest to supervisory and regulatory authorities, investors, internal departments, and monitoring insurance companies' financial stability.

Literature review

The work included such economic cognition methods as a systematic approach, methods of grouping and comparison, and formal logic. Financial stability is a notion, which is often reviewed by different scientists; which has many definitions and none of them cannot be treated as generally accepted. The meaning of the word "stability" – "a capability of organization to implement its liabilities on servicing and to execute financial liabilities both now and in future" [1]. The loss of this capability shall be defined as instability. In general, the notion of financial stability is used, firstly, to determine an organization's capability to function normally and to stand against different unavoidable consequences of external and internal impacts.

In the Kazakhstan financial legislation, there are such terms in use as "financial system stability" ("The Republic of Kazakhstan National Bank" Law, article 2-1) and "stable insurance system" ("Insurance operations" Law, article 41), article 43 mentions monitoring of financial stability and paying capability. Thus the notion of financial stability is partially related to and is "accompanied hand in hand" by paying capability [2].

The law-maker has not revealed the content of these terms. Still, from the law context, it is clear, that the word "financial stability" shall be applied to insurance companies, and "stability" has a slightly different meaning in the part of the term, which is related to the insurance industry in whole.

Traditional analysis of financial stability, and methods for company's financial stability monitoring can also cope with this task; however, it is a long-term and labor-consuming process. Consequently, there is always a need for cheap, quick, simple use and effective ways of trusted diagnostics based on the company's financial indicators. As a result of these efforts, bankruptcy forecasting models and early bankruptcy alerting systems appeared based on consideration of risk factors [3]. These systems and models are directed at revealing the symptoms of financial state deterioration and bankruptcy probability estimation. Such models do not set the aim for themselves to define the narrow points in the company to develop the recommendations to improve the financial state; they only show changes in the bankruptcy probability estimation and serve as indicators for quick decision-making to avoid crisis; they are used for the company's monitoring and early diagnostics.

In the beginning of the year 2000, the International Monetary Fund (IMF) initiated the financial stability indicators (FSI) program to define a set of financial indicators to define the

comparability of such data between countries and assist compilers and users of such FSI. In 2006 the IMF published its Manual for making financial stability indicators in English, and in 2007 in Russian, which contains the manual for conceptions, definitions, sources and methods for making and distribution of financial stability indicators [4]. Unfortunately, this manual does not have the definition of financial stability conception. Generally, the Manual reviews the financial stability at three levels: at the level of a separate organization, at the level of the system (for example, financial system, banking sector, industry and etc.) and in the country level as whole. The manual proposes its indicators calculation method to evaluate the financial stability by dividing them into basic or obligatory indicators and recommended.

Different scientists examine financial stability from different sides and with different aims, some for the purpose of measuring the degree of its impact on organization's investment attraction [5], other considers it significant for bankruptcy prevention [6]. In their papers, some researchers highlight in their papers [7] the abundance of financial stability definitions in the literature and the absence of a generally accepted definition in the IMF Manual (2006).

In its publication, the Asian Development Bank (ADB), devoted to this theme, states that financial stability is essential for the financial state, and monitoring of financial institutes stability shall enable the discovery of any possible growth of systematic risk, which can lead to crisis [8]. Except for ADB, other researchers examine the impact of financial stability indicators by using them as variables for an explanation of crisis probability by comparison of several countries [9].

Pukhov (2013) assumes that stability enables the organization with efficient smoothing of negative factors in the early stages of its operations, by this way reducing their impact in future. The conception of stability is characterized by extending stability, but excludes its direct increase [10]. Pukhov (2013, p. 13) defines stability as a quantitative and qualitative state of capital, assets and liabilities, which ensures reinforcement of operations reliability and stability, and raises the trust. This is a wider notion than paying ability, to which the notion of stability is often equated. In his turn, he assumes, that stability notion is narrower and shall be referred to bank capability to stand against all market's negative factors.

Kovalev reviews financial stability from the position of liquidity and efficiency position as presence of available cash assets [11]. Savitskaya stresses upon presence of available cash assets. Sheremet and Saifulin consider financial stability as paying ability guarantee [12, 13]. In such a way, the review of previous researches demonstrates, that many authors state their opinion that the theme is important and indicate that there is no generally accepted definition of financial stability conception, which shall be acknowledged by multiple economists [6, 7].

Korshunova and Shumalina (2019) examined papers of different economists and differentiated three approaches to the definition of financial stability notion, proposing to use them as a whole. The first approach defines financial stability as a set of indicators. This set includes profitability, business activity, and paying capability indicators. Different economists propose different sets of indicators, some highlight paying capability indicators, others highlight available cash assets, and others propose additionally to pay attention for absolute indicators, such as presence of capital. The second approach adds up to the first one the capital structure indicators, they place their calculations on financial reporting indicators, made in line with international financial reporting standards. The third approach examines financial stability from the risks assessment position, which the company faces in its operations [6].

To summarize, financial stability is often related to the notion of paying capability [12, 13, 14, 15]. Some economists consider that they are equal, others say that paying capability represents the component of financial stability, and others state that it is more expansive and includes financial stability.

Research Methodology

The work used such economic methods of cognition as methods of selection and analysis of scientific information, a systematic approach, a comparison method, and formal logic. The methods of selection and analysis of scientific information were used in the study of literature. The works of domestic and foreign scientists were supplemented by regulatory and legislative acts in the financial field. In this article, the application of a systematic approach considers internal and external factors of financial stability as a quantitative and qualitative state of the existing business. Further, this method is applied in the third section when considering the mechanism of continuity of activities of existing companies. The comparison method is used in the second and third parts. The difference between the earlier and modern versions of the Basel standards and the conceptual framework for the presentation of financial statements (IFRS) is considered. Below is Figure 1, on which the methodological component of this work is built.

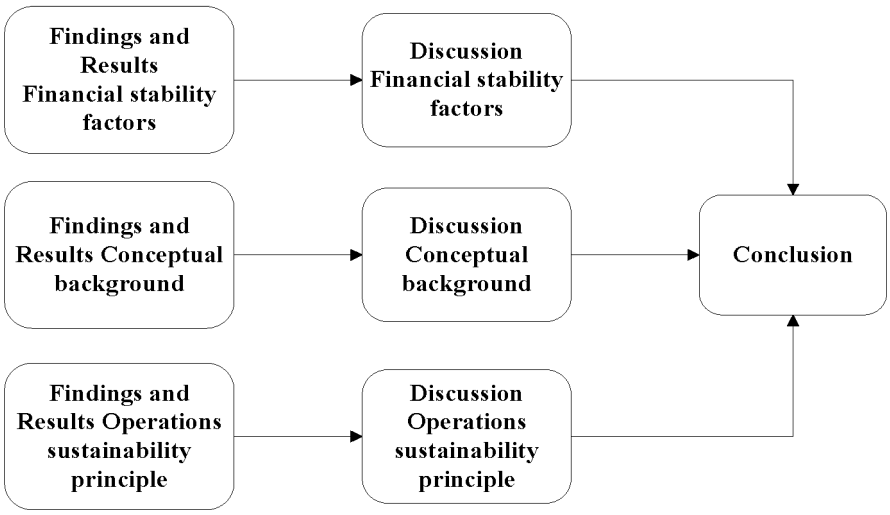

Figure 1 – Building a research methodology

Formal logic was used to derive the main conclusions of the study.

Findings and Results

To achieve the aim of this research, it was decided to review financial stability as a quantitative and qualitative state when the indicators describing the abundance of organization capital, quality of its assets and liquidity, and operations efficiency remain within certain limits. Failure to comply with these limits will bring the organization from the normal state to instable. The definition of these limits represents the most important stage of financial stability evaluation process. As it is known, the financial indicators constantly change under the impact of external and internal factors, and political, economic, social and financial conditions of every country. In such a way, the differentiation of financial stability indicators shall be performed individually for every country and even better for country's industry.

The importance of this definition is that it allows early discovery of financial stability loss. To evaluate financial stability, multiple different external and internal indicators are in use by different scientists to create different methods. For example, in the IMF Manual in 2006, as it was mentioned earlier, two groups of indicators were proposed: basic are proposed for calculation for all companies and recommended are differentiated depending on an industry of company's operations [4].

The primary indicators recommended for deposit entities are directed at the evaluation of the country as a whole and its different industries thus, applying them on any will, mostly, be impossible. To select indicators based on which it is possible to evaluate financial stability, it is necessary to understand which factors affect it. In general, it is possible to subdivide the factors into two groups (shown in Figure 2).

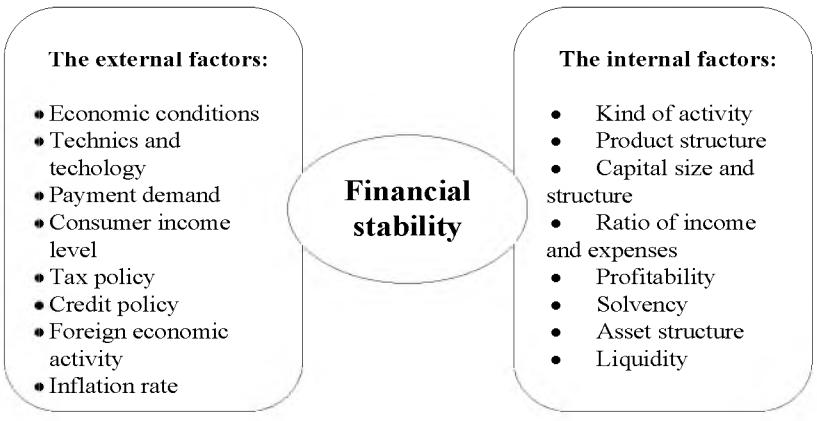

Figure 2 – Factors, affecting company's financial stability

Note: Compiled by authors

The external factors, meaning those related to the external environment affecting company operations, are in the first group. The second group of factors includes internal factors related to the company's operations efficiency, accepted by management's decisions.

From internal factors, as per the opinion of Rashid (2021), the most efficient indicator is profitability; at the same time, liquidity indicators serve to improve company operations and correct some managerial decisions. Every indicator shall not be reviewed without consideration of other balance indicators. Precisely, in a combination of vertical and horizontal analysis of financial reporting it becomes possible to define the most effective managerial decisions and to forecast the bankruptcy earlier [16].

Generally, there is no normative regulation of financial stability for all companies, thus, there is no need in a generally accepted definition. Basically, it's separate components are regulated and the regulations take place in financial sector, banks and other financial organizations prudential standards are under regulation. The international practice recognizes the requirements of Bazel committee for banks (the last one Bazel IV) and Solvency for insurance organizations. The main indicators in the standards regulation – are the indicators of capital abundance, risks assessment, and active application of market mechanisms.

The requirements for capital abundance – IRB model for evaluation of requirement to capital – are effective in 140 countries of the world, including Kazakhstan, Uzbekistan, and other countries of Central Asia [17].

Regarding risk assessment – there are requirements not only for individuals but for other banks. Compliance with these requirements brings minimization of credit risks and increases the safety of securitization operations implementation. The third mechanisms face the transparency problem – not all members of financial turnover are ready to provide trustful data about financial reporting [18; 19].

Some scientists consider that implementation of Bazel committee requirements lead to banking system development in the developed countries, without consideration of developed countries peculiarities, where financial system undoubtedly has peculiarities [20]. The other group of scientists propose to increase efficiency of Bazel committee requirements implementation by consideration of variance and as the first step to make legal background of developed and developing countries wide. Specifically this becomes actual when financial-economic crises happen, and Bazel standards could not prevent or neutralize the consequences of it [21; 22].

Bazel III caused some problems for Kazakhstan: an increase of capital lead to increase of interest rates. In terms of developing market for population, it meant more expensive money for business conduction. The other significance is that the crisis, caused by COVID-19 pandemics, brought new developments for business, which earlier existed in developed countries. ICT was more actively introduced in the business environment in Europe, the USA, in Kazakhstan such introduction was actively supported only in the last few years [23].

For Standards implementation, qualified personnel are required, which cannot be quickly prepared. In such a way actually developed countries were more prepared for Bazel standard [17]. The Value-at-Risk model application was mentioned too to define the risks within Bazel II standards frames, which helps to define the company's financial stability. Such a model does not consider the changes during crises but helps to reveal vulnerable points in the company's operations at the current moment [24; 25; 26]. However, these models are not the only components of the regulation system, there are standards set for indicators of assets quality, liquidity, and others. Another significance is the crisis.

Conceptual background

Sustainable operations conception is, first of all, set by the Conceptual background of financial reporting issuance (hereinafter referred to as conceptual background), the last revision of which was released in 2018 [27]. In accordance with clause 3.9 the conceptual background of financial reporting shall be made based on assumptions about operations sustainability. Thus, reporting company plans to continue its operations sustainably and continue performing in the nearest future. So that the organization has no will to stop its operations. If the pre-condition about operations sustainability is implemented, then the company shall make financial reporting based on international financial reporting standards (IFRS). If the pre-condition is not implemented, then the company shall issue financial reporting based on IFRS 5 Long-term assets, meant for sales [28].

When the matters are around operations sustainability conception, there is often an opinion that this notion has a connection to audit. Still, this aspect shall be particularly remembered by an accountant and considered when making financial reporting [29].

Operations sustainability conception entered the International standards from the English-American accounting model, and in the United Kingdom financial reporting standards the sustainability is defined through management

decision, thus the company is considered as functioning unless the management decides to liquidate it or until management is not forced to liquidate it. And it is specified that the attention shall be on available information about the nearest future, for the period not less than 12 months and unlimited by this deadline.

A pre-condition about operations sustainability is the main condition for economic growth and financial stability both in national level and in company level. Therefore, during economic and financial crises, the accent while making managerial decisions shifts to corporate efficiency and ratio since available internal and external sources of corporate resources get reduced or become indefinite. The reason for acknowledging the significance of operations sustainability pre-condition is that the subjects of national economics might face serious operational complications in a case, if the mechanism is not duly implemented.

Thus, the pre-condition, or it is also named operations sustainability mechanism is one of the poles in financial reporting issuance. Every accountant, who is familiar with IFRS, knows this principle, but not obligatorily understands why it is necessary and how it is regulated and measured [30].

The main idea of this mechanism is evident for every user, it means an accurate demonstration of assets and liabilities costs in financial reporting and an accurate evaluation of incomes and outgoings. The accuracy often depends on the aim of asset application and on whether the enterprise will continue its operations.

Appearing in the XIX century, conceptions of static and dynamic balance are placed diametrically against each other. Their application leads to contradiction in operations sustainability evaluation and financial stability evaluation. It was proposed to orient in accounting theory issues towards the synthesis of these both conceptions and thus to assist in information base creation for operations sustainability loss forecast and early alert through financial stability analysis [31].

The accountant shall scrupulously and responsibly come to making reports, this means that he shall not just differentiate long-term assets meant for sales in accordance with IFRS 5, but to perform test on implementation of operations sustainability pre-condition.

The main questions, the accountant shall place for himself while executing the test is: the value of the sustainable operations term, duration of the nearest future, probability of need to significantly reduce the operations, what other background to use to make report, if the pre-condition was violated.

The reporting – is always a compromise among compilers and their views and users' needs. Thus, the operations sustainability evaluation criteria can vary from company to company.

The first issue – the significance of sustainable operations term shall be reviewed with the understanding that every company passes through periods of rapid growth and decline periods. To understand the process and chances of its forecasting, it is necessary to differentiate all components. First of all, it is necessary to clarify what it means to "sustain" operations. What information represents the interest of reports users. It is evident that if the company reduces operations, the need for additional disclosure increases.

Consider different options for disclosing information about a decrease in revenue for one of the types of activities, depending on the materiality of the change:

- with insignificant reduction, specifically which can be explained with objective external factors, depending on other circumstances (for example, justified-expected positive dynamics), probably, and will not need any disclosure;
- with significant reduction, reports users with higher probability will be willing to see in the comments for income the clarification for reduction of the forecast for the consequential reporting period;
- with reduction, leading to the closure of business direction, IFRS 5 shall be applied, that will enable showing users the information in the most comfortable form for decision-making;
- if the closed direction represents a significant part of company business, in the comments, it is necessary to put the management judgment for the company's operations sustainability mechanism with a description of further plans for compliance;
- if the mechanism mentioned above was not complied with – the reporting shall be made on another background.

As evident, if the management is positive (and can prove this to reports user), the company can perform its obligations and continue economic operations even in indicated abbreviations – the operations sustainability mechanism was applied reasonably. To ensure production process sustainability, the owner needs its circulating assets, the share of which forms the balance structure and is defined by the correlation of its own circulating assets to the current assets. This indicator is reviewed as a source of circulating assets source and is the main in the liquidity indicators system when evaluating bank borrowers' creditworthiness. This is indicated by many researchers, including Kovalev, Altman, Chelik and others [32,33,34].

How far goes "the nearest future". As usually, in IFRS the terminology is based on principles (and not regulations) and highly bypassed. In this case "the nearest future" shall be understood as the following financial year, however in different jurisdictions or in company's accounting policy there might be additional limits set for forecast period. For example, if risks disclosure is made as per Group accounting policy with consideration of movements forecast for the nearest five years, then the sustainability of the operation applicability evaluation shall be made for at least the same period, otherwise the risks disclosure loses its value.

When is it "necessary to reduce operations"? When making reports, the accountant shall be an expert in business planning and critically review the same risks disclosure from the potential investor's view? What will follow the cash deficiency, disclosed in liquidity risk, if the company fails to agree on re-crediting? What will happen with cash flows with a real increase in a credit interest rate? The responses to these and similar questions shall lead to the conclusions: will the company's income and outgoings structure change in the nearest future, will not the company be forced to suspend some types of operations due to lack of financing, lack of capital assets, and due to other reasons.

What are the disadvantages of making reports on another background? As indicated in Conceptual background, making reports on different backgrounds is not prohibited. However, if we analyze all the reasons and consequences of such a decision, then the management, in fact, steps back from the operations sustainability mechanism only in the case of company liquidation.

The director shall check the company's capability "to sustain its operations in the nearest future" as a minimum with every making of the report. Prior to global economic crisis, this duty was not performed by directors actively. When it became clear that the crisis affected in some or another wat all companies, the owners and auditors tried to remind the directors about their main function.

At the same time, the volume of the disclosed information in reports increased in most companies. Because users wanted to understand how the economic conditions affect company income and cash flow, on in contracting agents, bank capability to loan for business, etc.

The users requested more from the company management, trading the stocks in the market. Depending on regulations of certain market, company reports started to put the management judgment about the presence of a strict internal control system, description of the risks management system and methods to prevent opportunities for management from intercepting the system. And the management was forced to inform about all significant events immediately, and not in the following report, at that the list of such events was expanded.

Despite enough information about the forecasted financial future in the last time in company reports, not all disclosures shall obligatorily correlate with each other. For example, various forecasts for liquidity risk shall not obligatorily confirm the company operations sustainability principle, as the indicated mechanism (confirmed by management as qualified for life) does not obligatorily lead to positive results in risk disclosure.

Operations sustainability mechanism

Reports compilers (and users) shall understand that in the background of risks disclosure there is only limited information, prepared with consideration of operations sustainability principle. However, while evaluating the applicability of this principle, the management shall use all the available information (Figure 3).

So, while evaluating the operations sustainability mechanism applicability, the reports compiler shall decide on one of the possible disclosures of own conclusions. There are three possible options for conclusions, displayed in Figure 4.

It is necessary not to confuse company failure to pay with operations sustainability mechanism as the basis of reporting.

Company paying capability was tested by management on the daily (or other applicable quick) basis, at the same time when operations sustainability mechanism – only while making reports. A capability of the company to pay its debts can change during the year and cannot be related to the previous evaluation of operations sustainability principle.

Uncertainty regarding the company's capability to continue its operations, duly documented in the reports and disclosed in conclusion, shall not directly mean its failure to pay.

An important part of operations sustainability mechanism evaluation is an interaction with the company auditor. The auditors pay specific attention to sections of financial reports and their preparation processes, which are mainly based on company management judgements.

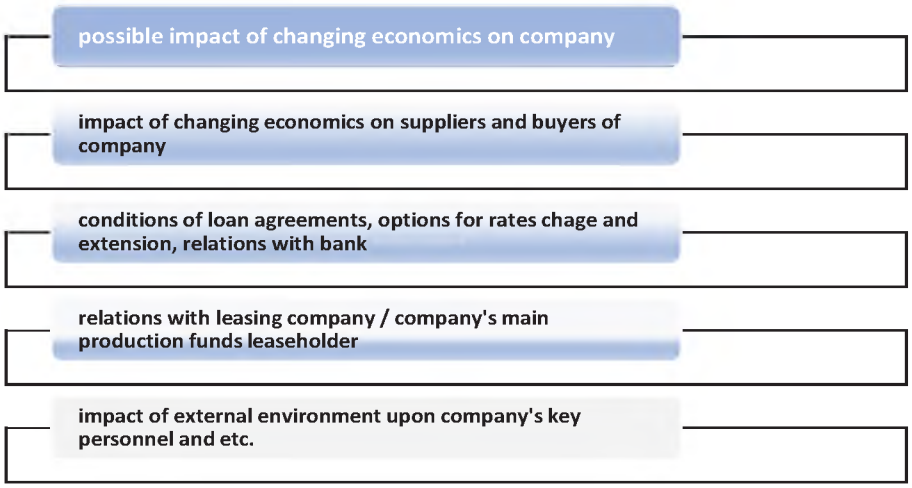

Figure 3 – Information about evaluation of operations sustainability pre-condition

Note: Compiled by authors

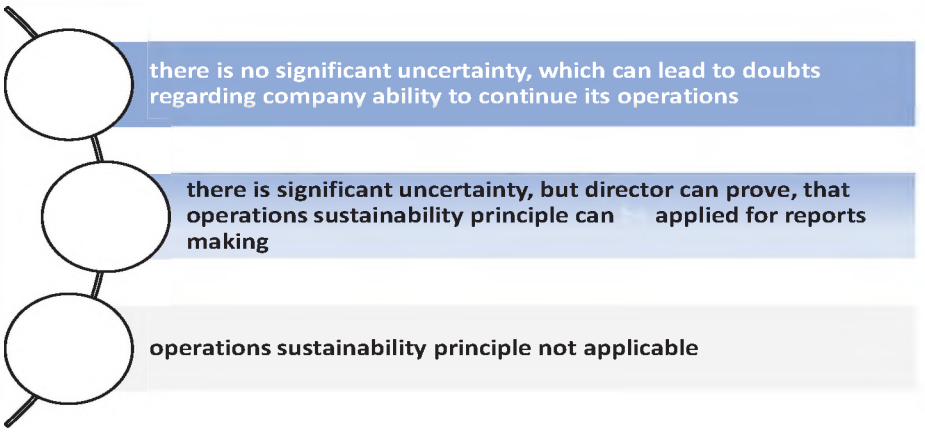

Figure 4 – Conclusions for operations sustainability

Note: Compiled by authors

Operations sustainability mechanism evaluation is described in standard ISA 570 "Going concern", where it is highlighted that this mechanism is fundamental for reports making. Consequently, the auditor shall perform examination of reports for compliance with this mechanism independently from whether there are such requirements in the local or industrial legislation, or in any other.

Reports users shall understand that the absence of unmodified auditors' conclusion does not guarantee company operations sustainability for the following financial period. As was reminded earlier, the research follows the definition of financial stability as a quantitative and qualitative state of capital, assets, and liabilities, which ensure raising operations reliability and stability, and ensure growth. This is the wider notion, than paying capability notion, which is often to be equal to reliability notion. In its turn, the reliability notion is narrower and is related to the organization's capability to stand against all market negative factors.

Discussion

Financial stability factors

The interest in studying company efficiency definition means that such analysis enables early revealing of financial stability loss. This is related to the that all financial stability indicators represent clear predictors, which assist in discovering early signals of capital abundance, assets, and liabilities quality deterioration. Indicators that are put into the calculation

background can be subdivided into internal and external. At that, some models are not perfect: can be suitable for one economics industry and will not suit the other sector.

In any case, the government of any country is interested in business development, and accepting some standards actually has a positive impact on economics. For example, Bazel standards for financial reporting issuance are applied in many countries worldwide. However, such norms have a more significant positive impact in undeveloped countries than in developing. At the same time, during crises, both groups of countries are at a loss.

Conceptual background

The conceptual background of financial reporting shall be compiled based on the pre-condition of operations sustainability. The essence of sustainability shall be considered exactly by accountants conducting financial reports. This report is granted to the auditor for examination and is related to an annual (sometimes longer) period. Understanding sustainability is based on business managers' wish to continue operations, leading the company to develop. If these companies, striving for success, are multiplying in number, then regional economics gets stronger, that leads to development at the macroeconomic level.

But, there is a problem, that not always the auditor while making reports can propose company operations time and accurately define risks. The management team can get changed or start applying sustainability mechanisms only with liquidation danger. At the same time, not all factors can be calculated accurately due to the wish to save confidentiality. Provision of incomplete information in such cases additionally stops from seeing and accurately analyzing risks. To avoid such problems, the companies conducting their operations in the market have additional requirements set for them.

Operations sustainability mechanism

One of the main components of business conduction is the firm's internal information confidentiality in the current stage. The auditor has access to company balance and understands that this firm does not plan to end up its operations (this means sustainability). Company management reviewed analysis results to adjust internal work and external economic connections. Herewith, in the analysis results, the auditor can show one conclusions about sustainability: the company will and shall conduct its operations, not defined (an interview shall be arranged with the company manager) and will not.

Surely, the conclusion, which will be placed in financial report does not mean, that it will happen. There are cases, when he companies almost a bankruptcy gets external financing and stabilize their state. Sometimes government subsidies or tax exemptions can reanimate whole industries. Thus, it is possible to say that the sustainability notion is narrow and does not always show the accurate result and for a complete analysis, it is necessary to use complex company operations indicators.

Conclusion

This document analyzes the mechanism of continuous operation of companies when accounting for assets and liabilities in situations of economic stability and during periods of crisis. The aim set to consider the theoretical issues of financial stability and the company's business continuity mechanism by analyzing previous studies, scientific literature, and auditing and financial reporting standards (Basel standards, IFRS) was achieved.

The performed literature review demonstrated an evident connection between financial stability and company paying capability notions. There are several sets of parameters to define company operations efficiency. Some analytics put in the background the indicators of profitability, paying ability, business activity and etc. Others consider the presence of available cash assets and consider presence of their own capital as the most significant. The third group examines financial stability from the position of risks evaluation, which the company faces in its operations. In any case, it is considered important to comply with international standards of financial reporting.

The major part of the researchers concentrate on the implementation of literature review, the other part of researchers differentiated the models, which calculate financial stability indicators (Z-models are often used and Bazel I-III are considered). The truth is that in such models the risks indicators are not always calculated, which deforms efficiency indicators. In this article, some models were reviewed for financial stability evaluation based on balance indicators. And the fact revealed is that the financial indicators constantly change under the impact of external and internal factors.

There are the following country-wise conditions differentiated: political, economic, social, and financial. These factors are unique for every country and even for an industry where the company operates. Further, business conducting principles were reviewed, the most interesting of which – the company operations sustainability mechanism proposed by the auditor to keep permanent monitoring and introduction

in the balance of the minor details. Of course, such information will not be multi-dimensional, however this approach will assist in the implementation of complex analysis, which will reflect the actual situation with company stability and will enable early problems to reveal and avoid bankruptcy.

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