



KAPITEL 2 / CHAPTER 2²

THE IMPACT OF ACCOUNTING CONSULTING ON THE EFFICIENCY OF IT-SPHERE ENTERPRISES

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Introduction

In the modern world, it is impossible to imagine any industry without the use of information technology. This area has been developing and growing more intensively than any other recently. The development of information technology and its deepening into the modern age is a worldwide phenomenon, and Ukraine is no exception. In everyday life, every person has a large number of different equipment, gadgets, and tools, the functionality of which is provided by certain programs. Over time, they need to write additions, changes, adjustments, and improvements to their software, which is one of the most important elements of business in the modern world. It is important to note that the activities of IT companies are considered to be very specific compared to other types of services. This fact is confirmed by legislative acts not only in Ukraine, but also in other countries of the world and Europe.

The taxation system, rules of income taxation and certain types of benefits for IT companies have their own specific features.

It is also important to remember that depending on the form of business activity of an IT company and the types of its sources, the amount of profit, payment of taxes, fees and deductions, its general principles of economic activity, its fiscal burden, specifics of profit, etc. are determined.

2.1. Analysis of published data and problem setting

Problems, challenges and prospects, basic theoretical, methodological and applied principles of formation and development of the Ukrainian consulting services market in conditions global and national changes are studied by a fairly large cohort of both Ukrainian and foreign scholars, in particular: M. Bezkravnyy, E. Beig, O. Vasylyev, V. Verba, N. Vergunenko, O. Karpenko, S. Kozachenko, I. Krupka, O. Makara, A.

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Nimkovych, O. Okhrimenko, V. Reikin, I. Spilnyk, F. Wickham and many others.

The scientific definition was given by several scholars, in particular Ivanov, P. Accounting consulting: theory and practice. Kyiv: Ukrainian Financial Group Publishing House gave the following definition of accounting consulting: "Accounting consulting in the national theory and practice is considered as a systematic approach to the analysis, planning and optimization of financial and economic activities of the enterprise in order to maximize its financial condition and performance." Several other key regulations define the nature and procedure for organizing and conducting accounting consulting, including the Law of Ukraine "On Accounting and Financial Reporting", which sets out the general principles of accounting and financial reporting in Ukraine. Accounting Regulations (Standards) - these regulatory documents provide detailed information on accounting transactions and financial reporting. Letters of the Ministry of Finance of Ukraine and other regulatory acts - these letters provide additional clarification on accounting and taxation issues.

The Labor Code of Ukraine and other labor laws - these regulations govern the relationship between employees and companies in the area of financial management. One of the key challenges in modern accounting consulting is the implementation and compliance with standards. The peculiarities of accounting consulting in the context of globalization were studied in the works of Zhang and Liu, who consider the role of an accounting consultant in the management of an enterprise in the context of globalization and internationalization of business.

2.2. The essence of accounting consulting and the market of consulting services and trends in their development

Accounting consulting is a professional service provided by accounting consultants or specialists in the field of accounting and finance. This service includes expert analysis of the company's accounting records and financial statements, development of strategies for optimizing tax liabilities, preparation for audits, consulting on financial management, etc.

Consulting is an individual entrepreneurial activity based on the communication process of transferring knowledge from a consultant to a customer. The basic premise of consulting is the need to improve the efficiency of existing business processes not only during crises, but also in the growth phase.



In Ukraine, the first consulting companies started operating in the 1990s, simultaneously with the opening of representative offices by well-known international companies. The range of consulting services offered on the national market includes: IT consulting, financial, legal and marketing consulting, valuation activities, management and production consulting, accounting consulting and other types of consulting. At present, consulting as a special service is actively developing and has significant potential for further growth, primarily due to the use of IT technologies. The consulting services market in Ukraine is dominated by large international companies (the so-called Big Four: Ernst & Young, PricewaterhouseCoopers, Deloitte, KPMG, as well as McKinsey and Boston Consulting Group) and about 300 largest national enterprises that provide exclusively consulting services. At the same time, consulting leaders prefer either a set of universal services or a narrow specialization.

In total, there are about 5 thousand consulting companies operating in Ukraine, which are significantly differentiated by market share, number of employees, and a set of additional services. Approximately 87% of consulting services provided in Ukraine are concentrated in Kyiv [5, p. 57], since almost all representative offices of foreign consulting companies and headquarters of major national enterprises are concentrated in the capital region. At the same time, according to EBRD research, 72% of small and medium-sized enterprises do not use consulting services, as 50% of them believe that they do not need outside help, while others do not have the financial capacity to do so [6, p. 25].

Fig. 1 shows data on the size of the consulting market in Ukraine, based on research by Astarta-Tanit Group (commissioned by the EBRD) and calculated by empirical experts [7; 8].

The retrospective indicators for 2019-2021 were obtained by extrapolation based on the average annual growth rate of the post-crisis phase of 2010-2013. The diagram (Fig. 1) shows that one of the peak indicators of the national consulting market capacity was recorded in 2010 - USD 500 million; at the same time, in 2021, the volume of consulting services provided in Ukraine exceeded the previous maximum level, reaching USD 585 million. In fact, it is worth noting that the development of the consulting segment of the national services market is developing in line with the trends in the main macroeconomic indicators of the state and is relatively unstable at the same time. Fig. 2 shows the dynamics of changes in the consulting market of Ukraine. According to this indicator, the maximum growth rate was 30% in 2010; the largest decline occurred in the crisis period of 2012 - almost 20%.

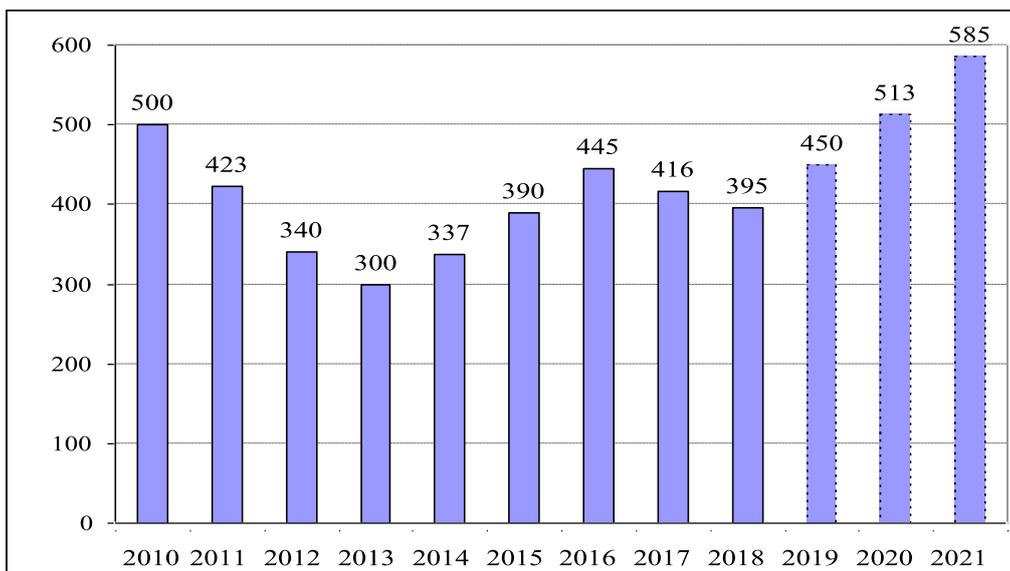


Fig. 1. The volume of the consulting market in Ukraine, USD million

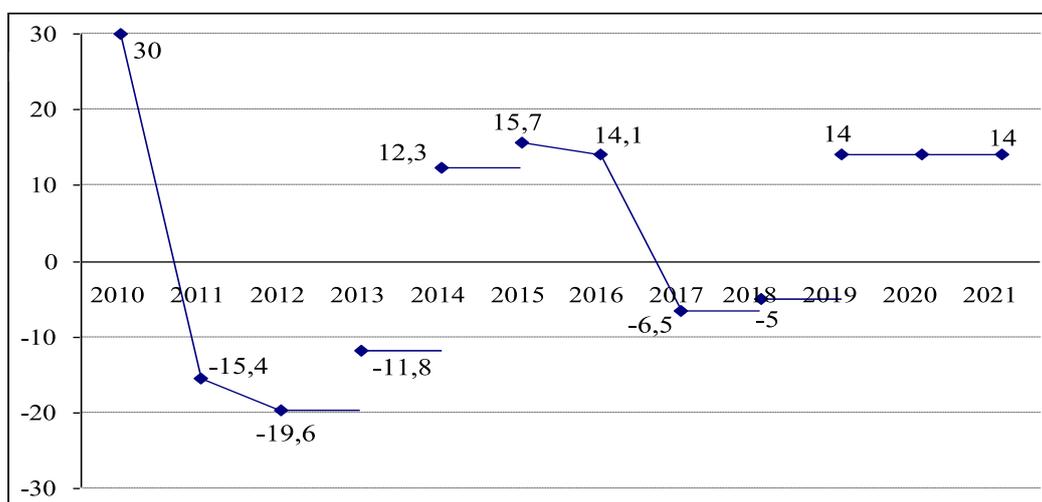


Fig. 2. Growth rates of the consulting market in Ukraine, %

The specificity of marketing consulting is its interdisciplinary origin with the growing influence of cognitive psychology techniques (the so-called "neuromarketing"). Marketing as a determinant of new ways of developing commercial activities is often a component of complex strategic consulting projects. The development of marketing consulting is not one of the most promising areas and is inert.

There are many inaccuracies and false data that cause unjustified financial losses in the costs of developing programs and applications, databases, web pages, and various other things, and incorrect accounting of assets (especially intangible ones) leads to excessive taxation of companies, including IT companies [3].

At the same time, IT companies have a complex structure and a variety of business



processes, use special equipment, intangible assets, and human resources that have special characteristics, not just quantitative ones. Success and profitability of a company depend on the successful use of all resources, efficient work and interaction of all employees and departments. In order to successfully interact with all participants in the activity and increase its efficiency and profitability, there is a need to identify and justify business processes and create a methodology for their management accounting [1].

In our opinion, there are basic principles and methods of accounting consulting in the IT sector and their application to improve the efficiency of the company. These are the following principles.

Today, it is difficult for agricultural companies to compete in the market. This situation is caused by a high level of instability due to imperfection of the economic mechanism, underdevelopment of market infrastructure, lack of necessary information about market state and practical experience in a dynamic competitive environment [14].

The effectiveness of management decisions in particular and the efficiency of the company's operation in general depends on the sufficiency and quality of information received by the management system. To this end, the accounting system should generate information about two types of resources: external and internal. The main components in the construction of an accounting system for the creation and management of enterprise IT resources are: advanced methodology for organizing management of information technology operation processes (ISO 900x, ITIL); software tools that automate management processes (Tivoli, WebSphere, DB2, etc.); advanced methodologies for creating information and its use [8].

Thus, the accounting system, through the purposeful formation and creation of information resources, will also perform a consulting function in its specific form [9]. Management accounting of costs will allow to identify the dynamics of costs and assets of the enterprise; find effective methods of achieving productivity; reduce financial risks and losses; offer opportunities to identify reserves and use the potential for efficient use of assets; choose alternative schemes for creating and selling the results of intellectual activity, providing services, etc. Management cost accounting will allow you to create real-time budgeting and management reporting systems, provide an opportunity to effectively manage performance and competitiveness, as well as develop a strategic business development plan.

In addition, a significant level of shadowing of the domestic economy causes



significant errors in the statistical indicators of income of individual companies, sectors of the economy and the country as a whole [10].

Their key performance indicators are shown in Table 1. PwC has been present in the Ukrainian market since 1993. The regional network includes the head office in

Table 1 - «The Big Four» in the global consulting services market, 2020 p.

Company.	Total revenues, billion USD U.S. DOLLARS	Revenues from consulting, billion USD U.S. DOLLARS	Market share of the company in the Big Four, %.	Number of employees, persons
Price water house Coopers	42,4	14,4	25,6	276005
Deloitte	46,2	19,8	35,2	312000
Ernst&Young	35,7	10,0	17,8	284018
KPMG	29,8	12,0	21,4	227000
РАЗОМ	154,1	56,2	100	1 099 023

Kyiv and representative offices in Lviv and Dnipro, offering clients a full range of services. The company provides audit, tax, legal and consulting services of the highest quality. The main goal is to be the best. Innovations and the desire to achieve the highest results are the basis of the company's development. That is why PwC has been setting standards for professional services for many years [11]. Ernst & Young (EY) clients include 84% of the Fortune Global 500 and 73% of the Forbes Global 2000. The company is a global leader in recognizing and supporting entrepreneurs and helping them bring their products and ideas to market through special services and programs such as the Entrepreneur of the Year and others.

EY also advises governments and public organizations around the world. The work is focused on helping them increase their resilience, strengthen their economies and communities, and improve the lives of their citizens [10]. Gartner, the world's leading research and advisory firm for information technology and consulting, for the second year in a row, recognizes Deloitte as the world's first provider of consulting services based on revenues in 2018 and 2019 [12]. It is worth noting that Deloitte has been ranked No. 1 in terms of revenue for the eighth time.

In May 2020 (London, UK), the authoritative European Tax Awards rating by the International Tax Review (ITR) recognized Deloitte Ukraine as the best national



company providing professional tax services in 2020. The main selection criteria were traditionally the size of the transaction, value, complexity, innovation and impact of projects completed in 2020 [9]. KPMG is an international network of independent firms providing audit, tax and advisory services. The company works closely with clients to help them mitigate risks and realize opportunities for their business. Most Ukrainian consulting companies are at the stage of development when they can define their own specialization, competencies, and the needs of potential clients.

Traditionally, the role of consulting in the country's economy is assessed by the level of consultants' involvement in solving the problems of client companies. Most often, the level of development of consulting is determined by such indicators as the growth rate of the consulting services market and the share of the consulting sector of the economy in the country's GDP. According to the European Federation of Management Consultancies Associations, the share of the European consulting business in European GDP has increased from 0.24% to 0.66% over the past ten years [9]. This indicator varies significantly by country. Thus, the highest share of consulting in GDP is in the UK (1.02%), Germany (0.88%), and Spain (0.76%). According to the Expert Ukraine magazine, the capacity of the Ukrainian consulting market tends to grow by 10% annually [6].

Conclusions

Thus, the total volume of consulting services provided in Ukraine in 2019 can be estimated at UAH 19327.75 million (or 0.5% of GDP). However, any comparison in the dynamics (for the period of 2017-2018) is inappropriate and impossible due to significant changes in the methodology of collecting and classifying information by the State Statistics Service. Since most areas of consulting do not require licensing, it is difficult to reliably estimate the size of the consulting sector and its share in the Ukrainian economy.

Currently, there are more than 300 domestic consulting firms in Ukraine, half of which are exclusively engaged in providing management consulting services. The leading consulting firms that are leaders in the consulting business, including the Big Four, have opened representative offices. Recent research by global and domestic practitioners suggests that BigData combined with machine learning technologies is a unique business opportunity if you learn how to work with and use data sets properly.



One of the most important components of a successful business is empathy. Understand your customer - what they like, how they live, and what they need. By working effectively with BigData, these questions can be easily answered and a successful marketing strategy can be developed, and thus a consulting business can be built.

Thus, the Ukrainian market of consulting services has the main characteristics of the global market, as the majority of its share is occupied by companies representing large international players. However, the main significant problem remains the lack of a legislative definition of the relevant type of activity, which makes it impossible to keep statistical reports of enterprises in this area. There are also difficulties in determining the structure and directions of cooperation between Ukrainian companies and consultants, which leads to the lack of appropriate forms of regulation of relevant expenses in the financial statements of companies.