

## APPROACHES FOR USING ACCOUNTING INFORMATION FOR THE PURPOSES OF MANAGEMENT OF THE EXPORT AND RE-EXPORT ACTIVITIES OF BULGARIAN ENTERPRISES IN CONTEMPORARY CONDITIONS

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**Abstract:** In the conditions of the modern global business environment, the significance of the detailed analysis of the export and re-export activities carried out by Bulgarian enterprises as an objectively necessary element of their management is growing. This, in turn, necessitates improvements in the use of accounting information for export and re-export transactions for the purposes of analysis and their overall management.

In order to make objective, economically justified management decisions, it is necessary to use a scientifically based system of indicators and methodology for measuring and studying the impact of various factors that affect the efficiency of export and re-export transactions.

The main purpose of this paper is to examine approaches for effective use of accounting information for the purposes of detailed analysis and management of the export and re-export activities of Bulgarian enterprises in the contemporary conditions of globalization. It discusses the problems related to accounting information provision of detailed analysis of the financial results and the efficiency of export and re-export transactions. Models for analysis of export and re-export of goods based on accounting information are presented, which can be used in the practice of the enterprises engaged in foreign trade. Specific approaches for analyzing the impact of exchange rate differences on the financial results and efficiency of export and re-export transactions are proposed. A special attention is paid to the possibilities for introducing improvements in the processes of using the accounting information for the export and re-export activities of Bulgarian enterprises.

The methodology of research of the issues in the paper involves the application of the systematic approach and the methods of observation, comparison, analogy, analysis and synthesis, induction and deduction, etc. In accordance with the systematic approach, the detailed analysis of export and re-export activities on the basis of the created accounting information is considered as an integral part of the overall business analysis system of the enterprise engaged in foreign trade. The application of this approach allows the system for analytical accounting of export and re-export transactions to be presented as a constituent element of the accounting information system of the enterprise.

Calculations related to the efficiency of each export and re-export transaction are actually performed even before a decision is made on its implementation and also accompany the entire process of carrying out the operation. The amount of the profit is set as early as in the preliminary estimates, at the stage of preparation for concluding and carrying out the foreign trade transaction. Naturally, there is a very real risk of such changes in the market conditions that the final effect is significantly lower than expected. But the opposite is also possible. All this confirms the need, when analyzing export and re-export transactions, to focus on comparing the actual reported data with the previously estimated ones, the latter being used as benchmarks of the transaction. A similar approach can be applied in the analysis of the accounting information for the export and re-export activities of the enterprise relating to two different reporting periods.

The results of the research in the paper allow to reach the conclusion that the effective use of analytical accounting information for export and re-export activities is a key prerequisite for the successful management and prosperity of the enterprises engaged in foreign trade in the conditions of the modern global business environment.

**Keywords:** export, re-export, accounting information, analysis, management.

### 1. INTRODUCTION

In the conditions of the modern global business environment, the significance of the detailed analysis of the export and re-export activities carried out by Bulgarian enterprises as an objectively necessary element of their management is growing. This, in turn, necessitates improvements in the use of accounting information for export and re-export transactions for the purposes of analysis and their overall management.

In order to make objective, economically justified management decisions, it is necessary to use a scientifically based system of indicators and methodology for measuring and studying the impact of various factors that affect the efficiency of export and re-export transactions.

The main purpose of this paper is to examine approaches for effective use of accounting information for the purposes of detailed analysis and management of the export and re-export activities of Bulgarian enterprises in the

contemporary conditions of globalization. It discusses the problems related to accounting information provision of detailed analysis of the financial results and the efficiency of export and re-export transactions.

## 2. MATERIALS AND METHODS

The methodology of research of the issues in the paper involves the application of the systematic approach and the methods of observation, comparison, analogy, analysis and synthesis, induction and deduction, etc. In accordance with the systematic approach, the detailed analysis of export and re-export activities on the basis of the created accounting information is considered as an integral part of the overall business analysis system of the enterprise engaged in foreign trade. The application of this approach allows the system for analytical accounting of export and re-export transactions to be presented as a constituent element of the accounting information system of the enterprise.

Calculations related to the efficiency of each export and re-export transaction are actually performed even before a decision is made on its implementation and also accompany the entire process of carrying out the operation. Only on this basis is it possible to properly build the strategy and tactics of these transactions and to respond adequately to rapidly changing conditions in international markets. The amount of the profit is set as early as in the preliminary estimates, at the stage of preparation for concluding and carrying out the foreign trade transaction. Naturally, there is a very real risk of such changes in the market conditions that the final effect is significantly lower than expected and even that the transaction ends at a loss. But the opposite is also possible. All this confirms the need, when analyzing export and re-export transactions, to focus on comparing the actual reported data with the previously estimated ones, the latter being used as benchmarks of the transaction. In the analysis, the influence of the individual factors determining the financial results can be quantified, while working with their actual and benchmark values. A similar approach can be applied in the analysis of the accounting information for the export and re-export activities of the enterprise relating to two different reporting periods. Based on the values of the factors reported during the two periods, the impact of each of them on the financial results of the export and re-export activities is measured consecutively.

## 3. RESULTS AND DISCUSSIONS

From an accounting point of view, the export and re-export transactions are characterized by considerable complexity, which arises from their characteristic features and specificity in the technology of their realization. This determines a number of peculiarities in the processes of creation and use of accounting information about them. The complexity of these transactions entails the need for greater analyticity in accounting in order to effective information provision of their management. The analysis of foreign trade transactions of the enterprise “is immanently linked to the accounting process and is a natural continuation thereof” (Staneva, Petrova et al., 2018, p.610). Accounting “as a separate system in the enterprise is associated with the system of its management, which is in line with the application of the principles of a systematic approach” (Staneva, 2021, p.85)

## 4. SPECIFIC APPROACHES FOR USING ACCOUNTING INFORMATION FOR THE PURPOSES OF ANALYSIS AND MANAGEMENT OF THE EXPORT ACTIVITY

A priority aspect of the analytical studies of export transactions is the analysis of the financial result realized. Based on it, the profitability level is established, which indicates the degree of export performance. In order to achieve comparability of the numerical data, the analysis has to work either entirely with information in currency units or in BGN (lev) equivalent. To track the impact of exchange rate variations on the financial result of export expressed in BGN equivalent, it is appropriate to base the analysis on accounting information in BGN equivalent.

In order to investigate the relationship between the financial result of export of goods and the underlying determinants, we propose the following analysis model:

$$FR_{bgn} = SVG - BVG - CS,$$

where:

FR<sub>bgn</sub> – financial result of export of goods, expressed in BGN equivalent;

SVG – sales value of goods in BGN equivalent;

BVG – book value of goods sold, expressed in BGN;

CS – costs for sales of goods, expressed in BGN equivalent.

This analytical model is consistent with the mechanism by which the financial result of the export of goods is generated in the sub-account “Revenue from sales of goods for export”, held in the synthetic account “Revenue from sales of goods”, and reflects the impact on the financial result of only those costs and revenues that are directly attributable to the export activity. The financial result of the export of goods is established by comparing the debit and credit turnover of this sub-account. The credit side reflects the sales value of the goods and the debit side

reflects the costs which are direct factors affecting the formation of the financial result of export of goods. Exchange rate differences are not taken into account in determining this financial result of the export of goods.

If the effect of exchange rate differences arising on the export of goods is included in the analysis, the relationship takes the following form:

$$\text{FFRbgn} = \text{SVG} - \text{BVG} - \text{CS} - \text{CFEOE} + \text{RFEOE},$$

where:

FFRbgn – final financial result of export of goods, expressed in BGN equivalent;

SVG – sales value of goods in BGN equivalent;

BVG – book value of goods sold, expressed in BGN;

CS – costs for sales of goods, expressed in BGN equivalent;

CFEOE – costs on foreign exchange operations upon export;

RFEOE – revenue from foreign exchange operations upon export.

In this case, the analysis involves the amounts of costs and revenues of foreign exchange operations incurred in the export of goods to establish the final financial result of the export and to trace the impact of exchange rate differences. The analytical models presented allow the reported information on actual export to be compared with planned data or with the results of previous reporting periods, and to determine the extent to which individual factors influence the differences found.

A key problem with the organization of accounting is to provide the information to determine the credible final financial result of the export transactions. In connection with this, it is in our opinion that it is expedient to create detailed information on foreign currency exchange rate differences that have arisen during export, adding sub-account “Costs on foreign exchange operations upon export” to the synthetic account “Costs on foreign exchange operations” and sub-account “Revenue from foreign exchange operations upon export” to the synthetic account “Revenue from foreign exchange operations”. A sub-account “Profit and loss from sales of goods for export” may be opened to the synthetic account “Profit and loss for the current year”, which is intended to reflect the final financial result of the export of goods. In addition to the financial result established under the sub-account “Revenue from sales of goods for export”, the foreign exchange rate differences upon export will also be reflected. The sub-accounts “Costs on foreign exchange operations upon export” and “Revenue from foreign exchange operations upon export” are closed in correspondence with the sub-account “Profit and loss from sales of goods for export”. This organization of accounting makes it possible to determine the final financial result of the export of the goods, taking into account the impact of foreign exchange rate differences, which is undoubtedly of utmost importance for the enterprise engaged in foreign trade.

In our view, another approach is possible to examine the impact of exchange rate differences arising on exports on the financial result. In this case, it is necessary to identify a separate financial result formed by comparing the costs and revenues of foreign exchange operations recorded on exports. It should be distinguished and analyzed separately from the financial result determined from the revenues and costs directly attributable to the export of the goods. In applying this approach, changes in the two separate financial results thus formed should be analyzed as determinants of the final financial result of export of goods.

In the conditions of modern global economy, export profitability is extremely important as a measure of the efficiency of the export activity. “Efficiency is a prerequisite for business success. When business activity of the company as a set of different business operations and processes is sufficiently effective, the desired profits, rate of return and financial stability can be reached” (Todorov, 2018, p.241). The profitability “expresses the ability of the enterprise to “produce” profit” (Chukov, 2020, p.116).

In the analytical studies of export profitability of an enterprise which does not carry out manufacturing but only trading activity, i.e. purchasing goods in the country for resale abroad, the determination of the priority aspects of the analysis is necessary to be in accordance with the specifics of this activity. From this point of view, we can highlight as a priority indicator profitability based on the revenue from sales of goods abroad. This indicator determines the profit per unit of sales of goods abroad, i.e. the profit per BGN 1 of sales or per BGN 100 of sales, if presented as a percentage (when working in BGN equivalents). The profitability of the sales of goods is the main indicator uniting the complex and diverse market realities in which the international business of the enterprise is done. It depends on the specifics of the different international markets, goods and their specific convertibility. It is important for the enterprise to analyze both the average profitability of export sales of goods and the individual profitability of individual goods. The analysis of the profitability of the sales “in its different aspects contributes to its profoundness and to the more directing nature of the results obtained and conclusions made” (Chukov, 2017, p.69).

The analysis of profitability based on export sales of goods is based on the information flows in the sub-account “Revenue from sales of goods for export” and its analytical accounts. Specifically, this is information for the

revenue from export sales of goods and for the financial result of these sales in total and by type of goods. The information provided can be used to make comparisons of actual profitability with planned profitability or with profitability in previous accounting periods.

As noted earlier in the presentation, the final financial result of exports is formed taking into account exchange rate differences. Therefore, in our view, it is useful to calculate an export profitability using as a base not only the revenue from sales of goods on export but also the revenue from foreign exchange operations arising on export. In this case, when applying the formula for determining the indicator, the numerator will reflect the financial result from the export of goods, in the formation of which exchange rate differences recorded on export are also taken into account. In this way, the impact of exchange rate changes on the profitability of exports on a revenue basis will be traced.

Further detailing of the analysis of the financial result and profitability of exports in terms of the structure of goods and the territorial focus of exports and tracking the behavior of their main determinants can be done on the basis of the detailed information provided by the analytical accounting system.

##### **5. SPECIFIC APPROACHES FOR USING ACCOUNTING INFORMATION FOR THE PURPOSES OF ANALYSIS AND MANAGEMENT OF THE RE-EXPORT ACTIVITY**

The nature and objectives of re-export transactions determine the specifics of their efficiency and the factors for increasing them. The efficiency shows the degree of re-export performance achieved through the use of existing conditions and the appropriate and targeted combination of the factors influencing it. The re-export is defined as “the purchase of good (goods) in one country for the purpose of their resale in another, i.e. foreign for the re-exporter country, without the goods being subjected to substantial processing” (Karakasheva, 2009, p.121).

The efficiency of re-export transactions is a result from the action of various factors, the most important of which are as follows:

- current state of market conditions and the trends in their development;
- knowledge of the mechanism of preparation, conclusion and implementation of these transactions;
- accurate assessment of the numerous risks associated with re-export;
- ability to make informed management decisions regarding the choice of goods and contractors in accordance with changes in market conditions;
- coordination of the various stages in the implementation of transactions in order to achieve the best combination of successive purchases and sales of re-exported goods;
- compliance with the changes in the foreign currency and financial conditions in the implementation of the operations related to the difference in the place and time of incurring the costs and achieving the results.

The variety of factors that affect the realization of re-export operations determine the complexity of measuring and studying the efficiency in this area. A significant problem is the inability to quantify a number of factors. With this in mind, several main factors can be identified, which shall be considered in the study of the efficiency of re-export:

- the types and quantities of goods purchased from abroad and sold abroad;
- the currency purchase prices per unit of goods expressed in the respective freely convertible currency;
- the amount of costs for re-export - transport, insurance, warehousing, handling of goods, etc.;
- selling prices of re-exported goods expressed in the respective freely convertible currency” (Danailov,1995, p.142-143).

The re-export transaction and its results are also affected by the different exchange rates of freely convertible currencies. Hence the important requirement to bring all values to a comparable basis in a single currency when measuring the efficiency of re-export transactions.

In determining the efficiency of the re-export transaction, it is accepted that the relations between the factors of the transaction are expressed mainly against the background of the direct effect in a freely convertible currency (Atanasov, 1978, p.19; Danailov,1999, p.151).

The relative direct effect of the re-export transaction in a freely convertible currency expressed per unit of goods (in meters, liters, units, etc.) can be determined by the following formula:

$$RDE = \frac{SP - PP}{IC}$$

where:

RDE - the relative direct effect of the re-export transaction per unit of goods subject to the transaction;

SP - selling price per unit of goods;

PP - purchase price per unit of goods;

IC - inherent re-export costs per unit of goods.

The direct effect of the re-export transaction is always a function of the actual types and quantities of re-exported goods, on the basis of which the absolute amount of the direct effect of a given transaction is formed. With such a formation procedure, different situations are possible:

- within the re-export transaction, a single type and quantity of goods are sold, where the relation between the factors is as follows:

$$ADE = Q \times RDE,$$

where:

ADE - the absolute amount of the direct effect;

Q - the quantity of re-exported goods subject to the transaction expressed in meters, liters, units, etc.;

RDE - the relative direct effect per unit of goods.

- two or more re-exported goods are sold within the re-export transaction. Then the relation between the factors is as follows:

$$ADE_n = \sum_{j=1}^n Q_j \times RDE_j,$$

where:

ADE - the absolute amount of the direct effect for n re-exported goods subject to the transaction;

Q<sub>j</sub> - the quantity of re-exported goods j in the transaction;

RDE<sub>j</sub> - the relative direct effect per unit of goods j.

To calculate the indicators of relative and absolute direct effect of re-export, it is necessary to use the accounting information provided by the sub-account “Goods for re-export”, held in the synthetic account “Goods” and sub-account “Revenue from sales of goods for re-export”, held in the synthetic account “Revenue from sales of goods”, as well as the organized analytical accounting thereto.

The purchase price of the goods participates as an element in the specified formula for a relative direct effect of the re-export transaction. However, given that from the point of view of accounting, the terms “purchase price” and “acquisition price” are not equivalent, in order to achieve greater convenience in the analytical work related to the direct use of accounting information, it is possible to make a small change in the formula, without changing the result from the analysis. It can be applied as follows:

$$RDE = \frac{SP - AP}{C},$$

where:

RDE - the relative direct effect of the re-export transaction per unit of goods;

SP - selling price per unit of goods;

AP - acquisition price per unit of goods;

C - re-export costs per unit of goods.

The acquisition price of re-exported goods, which includes the purchase price and costs directly related to their delivery, is recorded in the sub-account “Goods for re-export” (relevant analytical account), as well as on the debit side of the sub-account “Revenue from sales of goods for re-export” (relevant analytical account) when writing off goods from the composition of inventories after their sale abroad. The selling value of the goods is recorded on the credit side of the sub-account “Revenue from sales of goods for re-export”. Its debit side indicates the re-export costs, thus they are in fact allocated to decrease of sales revenue from re-exported goods.

In order to achieve comparability of the numerical data in the analytical studies of the achieved financial results from re-export activity, it is necessary to work either entirely with information in currency units or in BGN equivalent. In order to trace the impact of changes in exchange rates on the financial result from re-export, it is necessary to use accounting information in BGN equivalent in the analysis. An important feature in accounting costs related to the sale of re-export goods at the expense of the re-exporter, including transport, loading and unloading, insurance, etc., is that they are always related to a particular re-export transaction. This allows for these costs to be applied in decreasing the revenue from re-export sales as soon as the relevant transaction is completed and to determine the financial result thereof. The level of business costs “is an important parameter of the company performance” (Danailov, 2012, p. 115). It “is always analyzed and managed on the basis of certain criteria” (Danailov, 2012, p. 115).

When studying the final financial result from individual re-export transactions expressed in BGN equivalent, the exchange rate differences upon re-export as reported in the sub-account “Costs on foreign exchange operations upon re-export” and sub-account “Revenue from foreign exchange operations upon re-export”, as well as the analytical accounts thereto, shall be taken into account. As they are closed in correspondence with the sub-account “Profit and

loss from sales of goods for re-export”, the latter can be used to establish the overall impact of the change in exchange rates on the financial result from the re-export transaction.

The impact of exchange rate differences can also be studied by differentiating the financial result formed by comparing the reported costs and revenues from foreign exchange operations upon re-export. It shall be distinguished and analyzed separately from the financial result generated by revenues and costs directly related to the re-export of goods. Thus, it becomes possible to track the changes in these individual financial results as factors determining the final financial result from the re-export of goods.

The analysis of the financial result from the re-export of goods can be detailed in different directions, including in a study of the impact of the constituent elements of the acquisition price of goods intended for re-export and the various costs on their sales, the changes in sales volume in physical terms and in the range structure, the changes in the selling prices of re-exported goods, etc.

## 6. CONCLUSIONS

The application of a concrete approach for accounting and analysis of export and re-export of goods on the part of a particular enterprise depends to a large extent on its information requirements as regards export and re-export transactions. When these transactions are essential part of the overall business of the enterprise, it is faced with the need to provide detailed accounting information about them, necessary for the purposes of management processes. The main accounting objects in the realization of export and re-export transactions are also the main objects of their management.

The approaches presented above for effective use of accounting information can be successfully applied in the practice of the enterprises both for each individual export and re-export transaction and in the analysis and management of the export and re-export activities as a whole. They allow precise determination and analysis of the financial result and efficiency of each export and re-export transaction, while taking into account the impact of exchange rate differences occurring in the course of their realization. These approaches provide for organizational unity between the generation of analytical accounting information for the export and re-export of goods and the subsequent detailed analysis in different perspectives. The detailed analysis is of exceptional significance for the management of export and re-export operations and therefore it is imperative that it be provided with information through an effectively functioning system of analytical accounting. This presupposes the achievement of a rational organization aided by modern accounting software, and as early as upon initial entry of the information in the accounting information system based on the primary accounting documents for the completed foreign trade transactions the informational needs of analysis should also be taken into consideration. “The processes of digital transformation and the introduction of artificial intelligence in the accounting activities of enterprises require the construction of a new organizational structure and form of accounting” (Boyanov, 2020, p.376). The organization of the structure of the system for analytical accounting of the foreign trade should provide for the generation of the optimum information in quality and quantity terms which will be used for the purposes of management of the export and re-export activities.

All the foregoing provides grounds to conclude that the effective use of analytical accounting information for export and re-export activities is a key prerequisite for the successful management and prosperity of the enterprises engaged in foreign trade in the conditions of the modern global business environment.

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