



Country insights

RUSSIA

Country insights from Daria Perkovskaya on current trends in the Russian accounting market and effects of the pandemic on business

Daria Perkovskaya, Partner for audit and consulting at DELOVOY PROFIL Group, shares her thoughts on the relevant regulatory developments in Russia over the last 12 months, highlighting the health of the accounting industry prior to the coronavirus, as well as the implications of the pandemic, and what measures have been taken to help clients overcome the crisis.

Q: Have there been any significant regulatory developments in Russia over the last 12 months?

Daria: One of the main events in the regulation of accounting in Russia in 2020, was the entry into force of the Russian Financial Reporting Standard (Russian FRS) "Inventory" 5/2019, which in 2021 will replace the current Russian FRS "Inventory accounting" 5/01. The transition to the new Russian FRS, which close to the International Financial Reporting Standards (IFRS), has been on the agenda for several years. The introduction of Russian FRS 5/2019 in 2021 is the first step towards significant reformation of accounting in Russia.

The development of Russian FRS "Lease" 25/2018 (there are no analogues in the Russian accounting standards at present), as well as the introduction of new standards – Russian FRS "Property, Plant and Equipment" 6/2020 and Russian FRS "Capital expenditure" 26/2020 instead of current Russian FRS "Property, Plant and Equipment" 06/01 – can be considered as the next stage in accounting reformation and its harmonisation with IFRS. Russian FRS 6/2020 and 26/2020 will be in force from 2022, but companies can already start applying them.



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It should also be noted that since the beginning of 2020, a new version of the Russian FRS "Income Taxes" 18/02 came into force. It totally changed the reporting of information on income tax calculations rules.

Q: How would you describe the health of the accounting industry in Russia prior to coronavirus?

Daria: The accounting services market is one of the most dynamically developing in consulting. It was showing an increase of about 10-15 percent annually before the spread of the coronavirus infection. The main drivers of growth are the increasing complexity, as well as continuous changes in accounting, which increase the qualification requirements for accountants, and demand for accounting consulting. At the end of 2019, the market volume was estimated at 2.5 trillion rubbles.

In 2020, against the background of the pandemic, many companies had to switch their accounting and bookkeeping functions to remote mode within a few days. The quarantine has facilitated the growth of document flow digitisation and has increased the demand for online services of accounting firms.

Q: Have you taken any additional measures to support your clients since the start of the pandemic?

Daria: Forced self-isolation and quarantine conditions required a deep transformation of accounting services. Due to the automation of client service processes, which started in 2018, our company was ready for remote format of work and was able to continue clients' support. In order to assist our clients within the postponing of the reporting deadlines, previously conducted contracts were extended.

Q: Which services areas have seen demand this year - and are there any service areas where demand is particularly low?

Daria: The impetus, created by the pandemic, increased demand for accounting outsourcing from small and medium business. In particular, significant interest was noted in services related to pay-roll preparation due to the ongoing increase in complexity of pay-roll preparation rules and frequent changes in reporting.

Also, one of the areas which suddenly saw increased client interest was the support in accounting departments automation. Not all companies were ready for rapid transformation and transition to a remote mode work: electronic document flow, electronic digital signature receipt, optimisation of business processes of interaction between departments – these and many other clients' questions were solved by our experts.

In addition, we also note an increase in clients' interest in audit-related procedures, including cost

optimisation, cost audit, budgeting – all these services are relevant in the conditions of total savings.

Decrease in demand for traditional accounting consulting services can be also noted. This decrease is caused by the common customers' striving to reduce non-production expenses within the crisis conditions.

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