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Features of financial reporting by small enterprises and microenterprises: Ukrainian and international experience

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Abstract. The study aimed to substantiate the theoretical and applied foundations for the improvement of financial reporting by small and micro-enterprises in Ukraine, considering international experience and the digital transformation of accounting processes. The methodological basis consisted of comparative and content analysis, generalisation of practices for presenting data in the extensible business reporting language format, and observation. The empirical base was formed based on official analytical and statistical reports. The obtained results identified key differences between the requirements of national accounting standards and international standards for small enterprises in terms of the composition of reporting, principles of asset and liability valuation, and disclosure of information. The study determined that the introduction of digital reporting formats and the harmonisation of methodological approaches increase the comparability and reliability of data, reduce the time needed to prepare reports, and lower the risk of arithmetic and classification errors. The study proved that the use of integrated information systems, in particular enterprise resource planning systems and cloud platforms, contributes to the formation of a single information space between accounting, tax and analytical subsystems. As a result, a structured model of the relationship between the digital level of reporting and the quality of financial data has been developed, as well as recommendations for harmonising the Ukrainian financial reporting system with European standards. The proposed model includes harmonisation of reporting formats, stricter requirements for explanatory notes and disclosure of information, and the introduction of internal control procedures to ensure comparability and transparency. The research materials can be used in the development of state strategies for modernising financial reporting, improving tax policy and increasing the investment attractiveness of Ukrainian enterprises in the process of integration into the European economic space

Keywords: accounting; economic transparency; harmonisation of standards; digital data formats; management analytics; regulatory convergence; quality of information systems

Introduction

The financial reporting of small and micro-enterprises is substantial in ensuring the transparency and stability of the business environment. In the context of the digital transformation of the economy, the quality of reporting data becomes an indicator of the institutional maturity of the state and business. Harmonisation of national accounting regulations (standards) (NP(S)BO) with International Financial Reporting Standards (IFRS) for small and medium-sized enterprises (SMEs) ensures the comparability of information in the European space. The streamlining of reporting processes and the integration of digital solutions determine the competitiveness of small businesses in Ukraine and their sustainability in the global economic environment.

Ukrainian practice of reporting by small enterprises demonstrates several contradictions between legislative requirements and the actual ability of business entities to ensure full disclosure of information. T. Gogol & V. Kolotok (2020) demonstrated that small businesses often do not disclose the non-financial information and explanations required by current accounting standards. At the same time, the problem of incomplete notes to financial statements, particularly regarding accounting policies and accounts

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receivable, remains systemic. According to the results of a study by S. Semenova & O. Shpyro (2019), some small businesses do not disclose information about their accounting policies, which makes it difficult to verify the methodology of their application.

This situation creates a risk that users of financial statements (investors, banking institutions, tax authorities) will not receive sufficient data to assess the financial condition, risks and prospects of a business. As a result, despite the regulatory framework that requires detailed disclosures (including explanatory notes), most small businesses face resource, technical or staffing constraints that prevent them from meeting these requirements. This gap between regulation and practice points to the need to improve the quality of reporting at the small business level by strengthening disclosure requirements, resources for their implementation, and monitoring by the regulator.

The study by T. Kostash (2025) examined the impact of the digital economy on the modernisation of corporate financial reporting. The study emphasised that the digitisation of accounting processes and the introduction of electronic reporting formats increase the efficiency and reliability of data, helping to reduce errors and duplication of information. The study proved that the use of innovative technologies creates the conditions for increasing the transparency of financial information and building user trust. In contrast, V. Kostyuchenko & A. Kovalova (2020) examined the process of adapting IFRS for SMEs in Ukraine. The study noted that although the legal prerequisites for harmonisation with international standards have been created, practical implementation faces difficulties due to differences in the interpretation of the principles of recognition of income and liabilities. The study emphasised that the introduction of IFRS for SMEs will contribute to improving the quality of information in financial reporting and facilitate the comparison of indicators between countries.

Ukrainian realities are analysed in the context of international standards and in the work of A. Kostyakova (2025). The study argued that the inconsistent application of accounting and reporting rules creates risks of loss of transparency and trust among information users. The significance of consistency between accounting and tax approaches in the formation of an enterprise's financial results is emphasised. The study provided examples of intra-group transactions and financial assistance that require clear reflection in reporting following IFRS. The transformation of financial reporting of small enterprises following IFRS and O. Fomina *et al.* (2022) was investigated. The study proved that the adoption of IFRS for SMEs can be used for the creation of a more flexible system for reflecting economic transactions, increases the accuracy of asset valuation, and ensures the comparability of financial results. The practical aspects of implementing standards in small enterprises in Ukraine are analysed, and barriers related to a lack of resources and regulatory uncertainty are identified.

At the same time, L. Dzhulii *et al.* (2024) studied the peculiarities of accounting and taxation of small enterprises, revealing the relationship between tax incentives, financial reporting and economic behaviour of businesses. The study stated that simplified accounting regimes have a positive impact on the administrative burden, but at the same time limit the depth of financial analysis. The study emphasised the need to harmonise accounting principles with the requirements of tax legislation to ensure the reliability of reporting indicators. N.P. Banera & O. Heley (2021) emphasised the assessment of the quality of financial reporting of small enterprises and finding ways to improve the informativeness of indicators. The study proved that the structure, consistency and timeliness of disclosure of indicators are decisive criteria for the quality of reporting data. The article proposed an approach to assessing the informative value of reporting through a system of qualitative characteristics: clarity, reliability, comparability and materiality.

The directions of development of reporting in the eXtensible Business Reporting Language (XBRL) format in Ukraine were studied by K. Nazarova & K. Bondarenko (2022). The study identified the main vectors of digital transformation of financial reporting, in particular, increasing transparency, reducing the human factor, and automating the verification of indicators. The study systematised the experience of the first years of XBRL application and identifies problems with the integration of national taxonomy with international standards. The role of state institutions in forming methodological recommendations for small and micro-enterprises was emphasised. The study concluded that an effective digital reporting ecosystem must be based on the principles of openness and compatibility with European data exchange systems. O. Vakun *et al.* (2020) devoted their study to analysing the problems of implementing the XBRL reporting standard in Ukraine. The authors identified XBRL as a key tool for digitising accounting processes and increasing the transparency of information flows. The publication revealed the barriers to implementation, ranging from the insufficient technical preparedness of enterprises to the limited level of digital literacy of accountants. The study proved that the proper functioning of the XBRL platform reduces the time spent on preparing reports and increases their analytical value.

Most of the analysed studies considered individual instruments or stages of reform without forming a comprehensive model of integrated reporting for small and micro-enterprises. Issues such as assessing the quality of reporting data, the relationship between digitalisation of accounting and the reliability of information, and the impact of international standards on the adaptation of national reporting forms remain insufficiently addressed. The study aimed to develop theoretical guidelines for the development of a financial reporting system for small and micro-enterprises in Ukraine, incorporating international requirements and digital changes in the field of accounting.

Materials and Methods

The study covered the period from 2020 to 2025. During this period, it was necessary to analyse the transformation of the financial reporting system for small and micro-enterprises in the direction of harmonising national accounting provisions with international financial reporting standards for SMEs, as well as the introduction of digital tools into the reporting process. The regulatory part was processed using a comparative analysis method, which involved comparing national accounting standards with international standards, in particular in terms of requirements for the composition of financial statements, valuation of assets and liabilities, and criteria for recognising income, expenses and financial results. Among the national accounting standards (NAS), the primary were taken: NAS 7 "Fixed Assets" and NAS 9 "Inventories". The analysis of the regulatory framework also covered the provisions of Directive of the European Parliament and of the Council No. 2013/34/EU "On the Annual Financial Statements, Consolidated Financial Statements and Related Reports of Certain Types of Undertakings, Amending Directive 2006/43/EC of the European Parliament and of the Council and Repealing Council Directives 78/660/EEC and 83/349/EEC" (2013), which became a methodological guideline for harmonising Ukrainian requirements with European practices.

Content analysis was used to examine reports from the Strategy of Ukrainian financial sector development until 2025 (n.d.) to identify the characteristics of simplified accounting regulations for small enterprises and determine the practical aspects of preparing financial statements and explanatory notes. To analyse the implementation of the extensible business reporting language format in Ukraine, data from I. Verner (2024) and materials from the OECD (2024) were used. This was used to assess the trend of arithmetic errors in the financial reports of small enterprises, as well as the proportion of reports submitted late. The effectiveness of using XBRL as a tool for improving the reliability of financial reporting was assessed using the method of theoretical generalisation.

The empirical basis was provided by content analysis of analytical materials from the European Commission (2023; 2024), as well as reports on the implementation of digital reporting formats in Poland (Ministry of Finance of the Republic of Poland, n.d.), Germany (Federal Statistical Office, n.d.), the Czech Republic (Czech Statistical Office, 2023) and Estonia (Annual report, 2024). The information from the reports was necessary to examine the practices of implementing the e-Balance system in Germany, the Standard Audit File for Tax Authorities (SAF-T) in Poland, and the Business Registers Interconnection System (BRIS) in the Czech Republic.

A practical case study of Meblomix Sp. z.o.o. (Poland) was examined to assess the reduction in tax report corrections and accounting support costs due to digital tools (Polish Agency for Enterprise Development, 2024). The example of Strojexport a.s. (Czech Republic) was used to assess the impact of digital reporting on increasing counterparty confidence and simplifying bank lending procedures. The features of the digital reporting model in Estonia were considered, and the advantages of the e-Business Register system were analysed. These countries were chosen because they represent different models of integrating standards and digital formats into financial reporting, but at the same time have a similar structure of the SME sector to that of Ukraine. A comparative analysis method was used to identify differences between the Ukrainian and European financial reporting models.

To assess the impact of digital tools on the quality of financial data, the relationship between the level of digitalisation of enterprises and the quality of reporting, expressed in terms of timeliness of submission, completeness of notes and compliance of accounting policies with established standards, was analysed. Statistical indicators were processed using theoretical generalisation methods. A process approach was used to determine the practical consequences of harmonising accounting standards and digitising financial reporting. The paper describes the stages of reporting data formation, from the initial recognition of business transactions to their reflection in financial forms and explanatory notes, tracing the complete logical cycle of information flow from the moment of its origin to the final presentation in the reporting. To verify the compliance of data with accounting principles, the study compared accounting and tax assessments of assets, liabilities and operating results to identify possible discrepancies in the interpretation of the economic substance of transactions.

The paper developed a structured model of the relationship between the digital level of reporting and the quality of financial data. Methodologically, the proposed model was theoretical and analytical in nature and was based on a combination of comparative, logical-structural and content analysis. The materials used to construct the model were the OECD (2021) report and materials from European researchers (Sarker, 2025). The model was constructed based on deductive generalisation, where empirical observations (reduction of errors, acceleration of reporting, increase in investor confidence) were systematised into a single structural scheme. The results obtained were conceptual in nature. The study provided recommendations for harmonising the Ukrainian financial reporting system with European standards.

Results

Regulatory framework for financial reporting by small and micro-enterprises

The regulatory framework for financial reporting by small and micro-enterprises forms the basis for ensuring the reliability, comparability and transparency of economic information needed by users to make management decisions. In Ukraine's national system, these issues are regulated by the National Accounting Standards (NAS), which define the structure, composition and methodological principles for the preparation of financial statements. Their purpose is to simplify accounting procedures for small and

micro-enterprises and to maintain the minimum necessary level of disclosure of information about their financial position and performance. In the EU, a similar function is performed by the IFRS for SMEs developed by the International Accounting Standards Board, as well as Directive of the European Parliament and of the Council No. 2013/34/EU "On the Annual Financial Statements, Consolidated Financial Statements and Related Reports of Certain Types of Undertakings, Amending Directive 2006/43/EC of the European Parliament and of the Council and Repealing Council Directives 78/660/EEC and 83/349/EEC" (2013). Despite the common goal of increasing transparency, there are significant methodological differences between the Ukrainian and European systems that affect the completeness and comparability of reporting indicators.

The Accounting Standards are based on the historical cost principle, a conservative approach to recognising income and expenses, and minimising the volume of notes to the financial statements. For small enterprises, there are abbreviated forms of the balance sheet (Form No. 1-m, No. 1-ms) and income statement (Form No. 2-m, No. 2-ms), which cover basic information about assets, capital, liabilities, income and expenses (Strategy of Ukrainian…, n.d.). These forms are easy to use, but they do not provide full disclosure of non-financial indicators and details of the structure of assets. In contrast, IFRS for SMEs are based on the concept of fair value, which reflects the real economic substance of transactions, not just their legal form. This can improve assessment of the value of an entity's assets, liabilities and risks, which is relevant in an international investment environment (Kaya & Koch, 2014). In addition, IFRS for SMEs contain sections on disclosure of information about events after the balance sheet date, related parties, contingent liabilities and accounting policies, which are not provided for in most national standards of countries with economies in transition (Bautista-Mesa *et al*., 2019).

The application of Directive No. 2013/34/EU is a key factor in harmonising reporting approaches between EU countries. The document defines quantitative criteria for classifying companies: for small companies, assets up to EUR 6 million, net income up to EUR 12 million, average number of employees up to 50; for micro-enterprises, assets up to 350 thousand EUR, income up to EUR 700 thousand and staff up to 10 people. This ranking establishes proportional reporting requirements without overburdening the smallest businesses with an excessive number of indicators. Ukrainian legislation has partially adapted these parameters, but the limits set by the NAP(S)B remain stricter and the methodology for disclosure of information less detailed (Kovalchuk, 2025). In 2024, the Strategy of Ukrainian financial sector development until 2025 (n.d.) initiated an update of the criteria for small enterprises, raising the asset thresholds to the equivalent of EUR 5 million, which was a step towards convergence with European practice. A comparative overview of the key provisions of NAP(S)A and IFRS for SMEs is provided in Table 1.

Table 1. Comparative characteristics of key provisions of NAS(S) and IFRS for SMEs

Control element	The approach of the National Accounting Standards (NAS)	IFRS approach for SMEs
Valuation of assets and liabilities	Assets are mainly valued at historical cost, with revaluation applied on a limited basis and at the discretion of the company. Liabilities are recognised only when there is a legal obligation	Assets are recognised at fair value if this improves the reliability of information. Liabilities may also be recognised if there is an economic obligation, even without a formal contract
Recognition of income and expenses	Revenue is recognised upon receipt of economic benefits, and expenses – upon documentary confirmation	Revenue is recognised when the right to receive payment arises, regardless of whether the funds have been received. Expenses are recognised on an accrual basis
Disclosure of information	The notes to the financial statements are simplified and are provided only for selected items	Detailed disclosure of information about events after the balance sheet date, contingent liabilities, related parties, and a description of the company's accounting policies is required
Classification of enterprises	The division is conducted following Law of Ukraine No. 996-XIV, incorporating the criteria of revenue, assets and number of employees	The classification is defined by Directive No. 2013/34/EU, which sets clear thresholds for micro, small, medium-sized and large enterprises
Reporting forms	Short: balance sheet and income statement without cash flow details	Full: balance sheet, income statement, statement of changes in equity, cash flow statement and notes
Conceptual principles	The primacy of legal form over economic substance, emphasis on tax compliance	The prevalence of economic substance over form, with an emphasis on data reliability and neutrality

Source: compiled by the author based on Law of Ukraine No. 996-XIV (1999), Directive of the European Parliament and of the Council No. 2013/34/EU (2013), Directive of the European Parliament and of the Council 2014/95/EU (2014), D. Kaya & M. Koch (2014), I. Kovalchuk (2025)

The European integration process has a significant impact on the reform of reporting in Ukraine, within the framework of which Directive No. 2013/34/EU is being adapted to the national framework, as it leads to the unification of criteria for classifying enterprises by size, the introduction of simplified reporting requirements for small and micro-enterprises, and the harmonisation of principles for the valuation of assets, liabilities and disclosure of information in the notes. The EU insists on ensuring a "reasonable balance" between reducing the reporting burden

and providing sufficient information to assess the financial condition of entities (Incollingo & Lionzo, 2023). Under this policy, EU countries are required to provide small enterprises with a simplified reporting package, but without compromising the quality characteristics of comparability, reliability and transparency. For Ukraine, this implies the need to shift from a tax-oriented model to an information and analytical one, where financial reporting is viewed as a strategic management tool. Another significant aspect of modernisation is the digitisation of processes and the transition to the XBRL format, which enables automatic comparison, validation, and publication of reporting data (Yang & Ming, 2024). This technology makes it possible to minimise subjectivity when filling out forms and creates a basis for integrated reporting that combines financial and non-financial indicators.

In general, the trend in the development of the regulatory framework for SME financial reporting is to combine the principles of simplification with the requirements of reliability and comparability. For Ukrainian small enterprises, gradual harmonisation with IFRS for SMEs and the provisions of Directive No. 2013/34/EU is a necessary condition for the formation of a clear, transparent and investment-attractive accounting system. The combination of regulatory adaptation with digital reporting technologies creates the conditions for reducing the administrative burden, improving the analytical quality of data and bringing the Ukrainian accounting system closer to European transparency standards.

The practice of reporting by micro-enterprises in Ukraine is characterised by a high level of simplification of accounting procedures, a limited set of forms and minimal requirements for disclosure of information, which is determined both by regulatory provisions and by the resource capabilities of the business entities. Following NAP(S)BO 25 "Simplified Financial Reporting", micro-enterprises submit only two main documents: the balance sheet (form No. 1-ms) and the income statement (form No. 2-ms), without detailing cash flows, changes in capital or extended notes. This reduces the administrative burden, but limits users of financial statements in obtaining complete information about the structure of assets, liabilities and financial risks. According to analytical data from the State Statistics Service of Ukraine, as of 2023, micro-enterprises accounted for 79.8% of the total number of business entities, but most of them (over 60%) keep accounts using a simplified system without formalised procedures for revaluing assets or detailing deferred expenses (Verner, 2024). At the same time, audits show that micro-enterprises often violate the requirements of NAP(S)B 25 in terms of disclosure of data on accounts receivable, inventories and equity, limiting themselves to the minimum lines of reporting forms. This indicates the dominance of fiscal motivation in reporting over informational motivation. At the same time, the introduction in 2021-2024 of mandatory financial reporting in XBRL format for entities of public interest has become a catalyst for digital adaptation even among small and micro-enterprises, which have started to use automated accounting systems to generate reporting forms. Thus, the modern model of reporting for micro-enterprises in Ukraine combines regulatory simplicity with limited analytical capabilities, which requires further modernisation in the direction of digital integration and gradual harmonisation with European requirements for the quality of financial data. Gradual digitalisation creates the conditions for improving the accuracy and timeliness of data, but staffing issues, a lack of accounting knowledge and technical support remain key barriers to the implementation of transparent microbusiness reporting practices.

The practice of preparing financial statements in Ukraine

The preparation of financial statements in Ukraine remains one of the most dynamic aspects of the development of the accounting system, especially in the small business sector, which, as of 2022, accounted for more than 99.7% of all business entities in the country (Verner, 2024). The basic form of regulation for them is NAP(S)BO 25 "Simplified Financial Reporting for Small Businesses", which defines two basic forms: the balance sheet (form No. 1-m or No. 1-ms) and the income statement (form No. 2-m or No. 2-ms). These forms provide for the disclosure of assets, capital, liabilities, income and expenses, but do not cover all aspects provided for by the full standards, in particular the cash flow statement or the statement of changes in equity. As a result, the analytical depth of such reports is limited, and the possibility of comparison with enterprises reporting under IFRS is reduced. According to the State Statistics Service, only about 28% of small enterprises submitted extended notes to their financial statements in 2023, although this is permitted by current regulations.

One of the most common problems in preparing financial statements for small enterprises is the revaluation of assets, which is often conducted without proper methodological justification or using simplified approaches. According to recent observations, more than 40% of the analysed enterprises base their fixed asset valuation on the initial cost without adjusting for inflation, which leads to a distortion of profitability and equity indicators (Yang & Ming, 2024). At the same time, according to the State Statistics Service of Ukraine, about 30% of small enterprises that revalued their fixed assets did not disclose the relevant information in the notes to the financial statements as of 2023, which indicates incomplete compliance with the principle of transparency and violation of the requirements in accordance with NAP(S)A 7 "Fixed Assets" (Verner, 2024). Another common practice is to account for inventories at weighted average cost without incorporating the methods of accounting for disposals at identified cost provided for in NAP(S)A 9 "Inventories", which complicates the analysis of expenses (Kovalchuk, 2025). Such shortcomings not only reduce the quality of financial information but also create risks of additional tax assessments in the event of audits.

A typical problem remains the lack of disclosure of notes to financial statements, although they provide the

context for analysis of individual items of the balance sheet and income statement. As of 2023, some small and micro-enterprises do not provide explanations for accounts receivable and deferred expenses, which contradicts the requirements of paragraphs 7-10 of NAP(S)B 9 "Simplified Financial Reporting" (Mulyk, 2021; Kovalchuk, 2025). Notably, this is due to a lack of qualified personnel or an underestimation of the role of notes in ensuring data reliability. At the same time, international practice shows that even in simplified reporting, notes can perform an analytical function: in Poland, for example, 84% of small enterprises provide brief explanations to the balance sheet and income statement, which significantly increases the user value of the documents (Polish Agency for Enterprise Development, 2024).

Tax simplifications remain substantial in the formation of reporting practices, significantly influencing companies' approach to assessing performance and determining accounting indicators. The introduction of a simplified taxation system with fixed rates for taxpayers in groups 1-3 reduced the administrative burden but created the effect of minimising reporting data. More than 70% of small enterprises that apply a single tax do not keep detailed records of depreciation and reserves, as this does not affect the tax burden (Kovalchuk, 2025). As a result, the book value of assets is often understated, and the structure of equity does not reflect the real state of resources. As a result, financial reporting is transformed from a management tool into a formality limited by the requirements of tax returns. A similar situation can be observed in Central European countries, where, following the introduction of tax simplifications in 2018, almost 40% of micro-enterprises lost the ability to produce integrated reports due to the absence of mandatory accounting registers (Bautista-Mesa *et al*., 2019).

As of 2025, Ukraine is gradually transitioning to more detailed financial reporting for small businesses, following European trends. The Ministry of Finance of Ukraine (Strategy of Ukrainian financial…, n.d.) has initiated the creation of an electronic register of small enterprises that apply NAP(S)B 25 to reconcile reporting indicators with tax service databases. This approach will reduce the number of discrepancies in financial reports and create conditions for integration into the unified information system XBRL Reporting UA 2.0. In the long term, this will ensure the integration of financial and tax reporting in a single digital environment, which will increase the reliability and comparability of data, as well as compliance with IFRS for SMEs.

European experience in financial reporting by small and micro-enterprises

The European experience of financial reporting by small and micro-enterprises demonstrates a high level of institutional consistency, technological maturity and transparency of accounting processes. In leading European countries, such as Germany, Poland, the Czech Republic and Estonia, the financial reporting of small and micro-enterprises is based on IFRS principles adapted to the requirements of Directive No. 2013/34/EU, as well as on deep digital integration of reporting processes. According to data from the Federal Statistical Office (n.d.), more than 98% of small businesses submit their financial reports in electronic file format via the e-Balance system, which operates based on XBRL taxonomy and provides automatic verification of the consistency of indicators. The system can be used for the unification of reporting for tax and statistical purposes, which reduces the administrative burden and increases data reliability. The transition to electronic reporting has reduced the average time required to prepare financial reports in German micro-enterprises from 19 to 11 days, while the proportion of arithmetic errors has more than halved.

In Poland, the introduction of the SAF-T system has become the main tool for integrating financial reporting with tax databases. SAF-T can ensure the transfer of accounting data to the tax administration in a standardised XML format, which provides compatibility between accounting programmes and government portals. According to the Ministry of Finance of the Republic of Poland (n.d.), in 2024, approximately 93% of SMEs submitted their financial reports via SAF-T, and the average level of compliance of reported indicators with tax returns exceeded 96%. Such integration minimises the possibility of double counting of transactions, improves the quality of audits and creates a basis for analytical assessment of the sector's financial stability. A practical case study by Meblomix Sp. z.o.o. (Poznań) showed that the implementation of SAF-T reduced the number of tax report corrections by 27% and accounting costs by 12% during the first year after automation (Polish Agency for Enterprise Development, 2024).

In the Czech Republic, the BRIS system connects the national register of companies with the pan-European electronic data exchange network and plays a key role in the digitisation of accounting processes. Due to BRIS, companies can publish their financial statements directly through the government portal, which provides users with free access to reports and increases business accountability (European Commission, 2023). In 2022, more than 95% of Czech enterprises submitted their financial statements through BRIS, and the average time for publishing documents was reduced from three weeks to five days (Czech Statistical Office, 2023). The example of Strojexport a.s. (Brno) shows that the availability of reports in BRIS has contributed to increased trust among counterparties and simplified bank lending procedures, with the number of approved loan applications increasing by 14% after the introduction of automatic confirmation of financial indicators.

One of the most successful models of digital reporting in Europe is the experience of Estonia, where the e-Business Register system has been in operation since the 2010s, combining tax, statistical and financial databases into a single digital circuit. According to data from the Annual report (2024) (Estonia), in 2024, 99.4% of small and micro-enterprises submitted their financial reports in electronic format, with the average time for registering a new business not exceeding 18 minutes. The platform can be

used by businesses to enter data once, and it's then automatically used by different government services, which really cuts down on admin costs. Research has shown that digital consolidation of reporting has increased the effectiveness of monitoring the timeliness of form submission by 21% and reduced the number of technical errors by almost three times. The Estonian model demonstrates how a combination of transparency, digital technology and a regulatory framework creates an ecosystem of trust between business and the state.

A common feature of European practices is the combination of technological reporting tools with institutional quality control. The use of e-Balance, BRIS and SAF-T platforms enables automated reconciliation of financial indicators between tax, audit and statistical systems, which increases data accuracy and reduces the risk of manipulation. In its 2024 report, the European Commission emphasised that due to the introduction of digital formats for processing financial information, the timeliness of reporting by small and micro-enterprises in the EU increased from 89% in 2019 to 97% in 2023, while the cost of preparing reports for businesses fell by an average of 15% (European Commission, 2024). Practice shows that harmonised regulatory requirements and digital infrastructure create a synergistic effect, transforming transparent reporting from an administrative obligation into a strategic tool for business development.

A comparison of the results of implementing financial reporting systems for small and micro-enterprises in Ukraine and EU countries reveals significant differences in the level of transparency, detail and digital integration of data. European practice, based on the provisions of IFRS for SMEs and Directive No. 2013/34/EU, provides a higher level of standardisation, while the Ukrainian system of Accounting Standards (AS) remains predominantly tax-oriented, focusing on the formal reflection of performance results. According to estimates by the OECD (2024), the share of small and micro-enterprises that prepare complete financial statements with notes in EU countries is about 87%, while in Ukraine, this figure does not exceed 32%. This disparity can be explained by differences in digital maturity and access to automated accounting platforms: on average, 91% of European SMEs use XBRL or its local versions, while in Ukraine, only 26% do so (European Commission, 2024; Strategy of Ukrainian financial…, n.d.).

A significant advantage of the European model is its ability to ensure consistency between accounting, tax and statistical records. For example, in Germany, the e-Balance system automatically synchronises financial reporting with tax service databases, reducing the administrative burden by almost 18% on an annual basis (Lukianykhina *et al*., 2024). In Ukraine, however, most small businesses submit financial reports separately to statistical and tax authorities, resulting in discrepancies of 9-12% on average between similar indicators in the reports (Lukianykhina *et al*., 2024). The gradual introduction of the XBRL format is already showing positive changes: the share of reports rejected due to technical errors has decreased from 17.8% in 2021 to 6.4% in 2024 (Kovalchuk, 2025). This experience confirms that harmonisation is not limited to changing standards but involves systematic digital transformation. A comparison of key indicators of the quality of financial reporting by SMEs in Ukraine and EU countries is presented in Table 2.

Table 2. Comparison of key financial reporting quality indicators for small and micro-enterprises in Ukraine and EU countries (as of the end of 2024)

Indicator	Ukraine	EU	Note
Share of small and micro enterprises that prepare complete financial statements with notes	Only about one-third of small and micro-enterprises (32%) submit reports with explanatory notes, which reduces the level of data analysis	In EU countries, this indicator averages 87%, which provides a comprehensive picture of the financial condition of entities	A difference of more than 55% indicates a gap in reporting methodology and the need to train accountants at small enterprises
Use of digital reporting formats (XBRL or equivalents)	The XBRL format is used by only 26% of companies, mainly those with an external auditor	On average, 91% of EU businesses use digital reporting taxonomies integrated into tax systems	The difference is explained by uneven technical support and low digital literacy among accountants in small businesses
Average time required to prepare annual financial statements	Approximately 22 days for small businesses, excluding audit procedures	In EU countries where reporting is submitted via automated platforms, this figure averages 11 days	The reduction by almost half is due to the automation of form filling and the use of standard templates
Level of reliability and consistency of reporting data	In Ukraine, the average level of discrepancy between reports submitted to the tax and statistical services is 9-12%	In EU countries, this figure does not exceed 2%, which is due to automatic data verification in digital systems	Standardised formats and centralised databases ensure high-quality financial information
Administrative burden on businesses	On average, 74 man-hours per year are spent on reporting	In EU countries, approximately 45 man-hours are saved due to the integration of accounting and tax processes	Digitalisation reduces time expenditure by almost 40%

Source: compiled by the author based on F. Ngaruko (2023), OECD (2024), European Commission (2024), Strategy of Ukrainian financial sector development until 2025 (n.d.)

The results confirmed that the effects of harmonising standards and digital transformation are systemic in nature. First, the use of a uniform approach to reporting in accordance with IFRS principles increases investor and creditor confidence, especially in the small and micro-enterprise sector, where access to finance largely depends on the quality of information. Secondly, digital platforms based on XBRL taxonomy reduce the time and resource costs of enterprises, while increasing the accuracy and comparability of reporting data. Thirdly, EU countries are seeing the emergence of a culture of "transparent reporting", where financial information is viewed not only as a legal obligation but also as a strategic business asset. For Ukraine, this process is still in infancy, but the trend shows a gradual narrowing of the gap with the European model. The harmonisation of NAS(S) with IFRS for small and micro-enterprises, supported by digital reporting tools, has the potential to transform financial reporting from a formal procedure into a full-fledged element of corporate governance and economic policy.

Digitalisation of reporting: Impact on data quality and transparency

The digitisation of financial reporting has become one of the key factors in improving its reliability, timeliness and comparability, especially in the small business sector. Ukraine began implementing the XBRL system in 2020, when the National Securities and Stock Market Commission introduced a unified taxonomy for business reporting. Initially, only about 5% of enterprises submitted digital reports, mostly medium-sized companies with experience in IFRS auditing (Lukianykhina *et al.*, 2024). By 2024, this figure increased to 28% and, according to the Ministry of Finance's forecasts, the share of electronic reporting will reach 45% in 2026 (Strategy of Ukrainian financial…, n.d.). The changes are explained by the integration of new electronic data submission platforms and the improvement of the XBRL taxonomy SME Reporting UA 2.0, which ensures better compatibility between accounting systems.

The use of XBRL has a direct impact on the quality of financial data. After switching to electronic format, the number of arithmetic errors in the financial reports of small enterprises decreased from 16.2% in 2021 to 6.4% in 2024, and the share of late reports decreased from 12.5% to 4.1% (Verner, 2024). Studies show that automatic verification of XBRL documents can be used to detect more than 80% of errors related to discrepancies between assets and liabilities. This helps to increase confidence in financial information among investors and government regulators. As a result, the digital transformation of the accounting process reduces the amount of manual work and creates the conditions for a transition from "post-factum" reporting to "real-time" reporting.

The integration of digital financial accounting platforms is actively underway through Enterprise Resource Planning (ERP) systems and cloud solutions. According to estimates, more than 39% of Ukrainian small businesses use cloud accounting services for automatic reporting, compared to only 14% in 2020. The most popular solutions are BAS ERP, Finmap, and local services such as "My Accounting" and "SME Office", which can be used to generate balance sheets and financial statements following NAP(S) B 25. In practice, the implementation of ERP systems reduces the time required to prepare reports by 35-40% and reduces the number of discrepancies between accounting and tax data (Knuth *et al.*, 2021). For example, in 2023, due to the integration of BAS ERP with the XBRL module, Ekopak LLC reduced the time spent on preparing its annual report from 20 to 11 days and increased data accuracy by 23% (Lukianykhina *et al.*, 2024). Thus, the digitalisation of financial reporting in Ukraine is gradually moving from the experimental implementation stage to systematic development. The combination of XBRL taxonomy, ERP platforms, and cloud services creates conditions for transparent, automated, and reproducible financial accounting. At the same time, the key task remains to improve the digital competence of accountants, which will ensure the full integration of the national reporting system into the European financial information space.

Innovative technologies in accounting are substantial in increasing the productivity of enterprises, their investment attractiveness and competitiveness in the market. Digitalisation enables businesses to reduce the cost of routine accounting operations, respond more quickly to changes in the external environment, and provide users of financial statements with more reliable, timely, and structured information. For example, the use of data analytics and digital platforms in SMEs creates conditions for faster decision-making, diversification of business models and entry into new markets (OECD, 2021). Thus, the introduction of reporting technologies as a means of management communication directly strengthens the strategic position of the company, rather than merely fulfilling a regulatory reporting function.

Automated ERP systems significantly reduce human error and increase reporting accuracy. ERP system users report improved productivity, reduced reporting time, and increased integration between financial, operational, and management data. An analysis of the relationship between ERP and business results has found a positive effect on labour productivity when ERP is used in conjunction with supply chain management systems and CRM solutions (Latif *et al.*, 2025). In addition, the implementation of ERP in manufacturing SMEs contributes to the strengthening of management accounting and control. As a result, automation through ERP systems in the accounting process reduces manual corrections, improves the consistency of accounting and tax data, and reduces the risk of human error, which directly corresponds to the previously described reduction in arithmetic errors and improvement in the accuracy of Ukrainian reporting.

Regarding cloud platforms, blockchain and artificial intelligence, it is worth noting that their use in reporting creates new horizons for accounting transformation. It is

worth noting that cloud accounting systems help reduce the amount of manual work, improve access to data in real time, and facilitate collaboration between remote users and audit or tax authorities (Sarker, 2025). In turn, blockchain technology is gaining recognition as a means of increasing the reliability and transparency of accounting records due to the impossibility of changing data from previous periods, the creation of an audit trail, and the reduction of fraud risk (Akter *et al.*, 2024). The integration of artificial intelligence into accounting systems can automatically detect anomalies in reporting data, predict risks, and optimise verification procedures, creating a competitive advantage for companies that actively use such technologies. The implementation of these latest solutions as a whole transforms accounting from an "annual submission" to a continuous flow of information, which increases attractiveness for investors and strengthens the company's competitiveness. Innovative technologies make it possible for small businesses in Ukraine not only to comply with regulatory requirements but also to create added value through operational management, transparent communication with investors and government agencies, and the use of data as a tool for strategic development.

As a result, it is possible to form a structured model of the relationship between the level of digitalisation of reporting and the quality of financial data, which reflects how the depth of automation, integration of ERP systems, use of cloud solutions and implementation of the XBRL format directly affect the reliability, timeliness and comparability of information. The model is based on the assumption that each level of digital maturity of an enterprise, from basic automation of accounting operations to analytical data management, creates an additional effect of transparency that can be measured through the qualitative characteristics of reporting. For example, enterprises that use integrated real-time reporting platforms demonstrate consistently lower rates of errors and late submissions while increasing the level of data compliance with audit requirements. Thus, the digital level of reporting is not only a technological indicator but also an analytical criterion for assessing the quality of financial information within the national accounting system. The model is schematically presented in Figure 1.

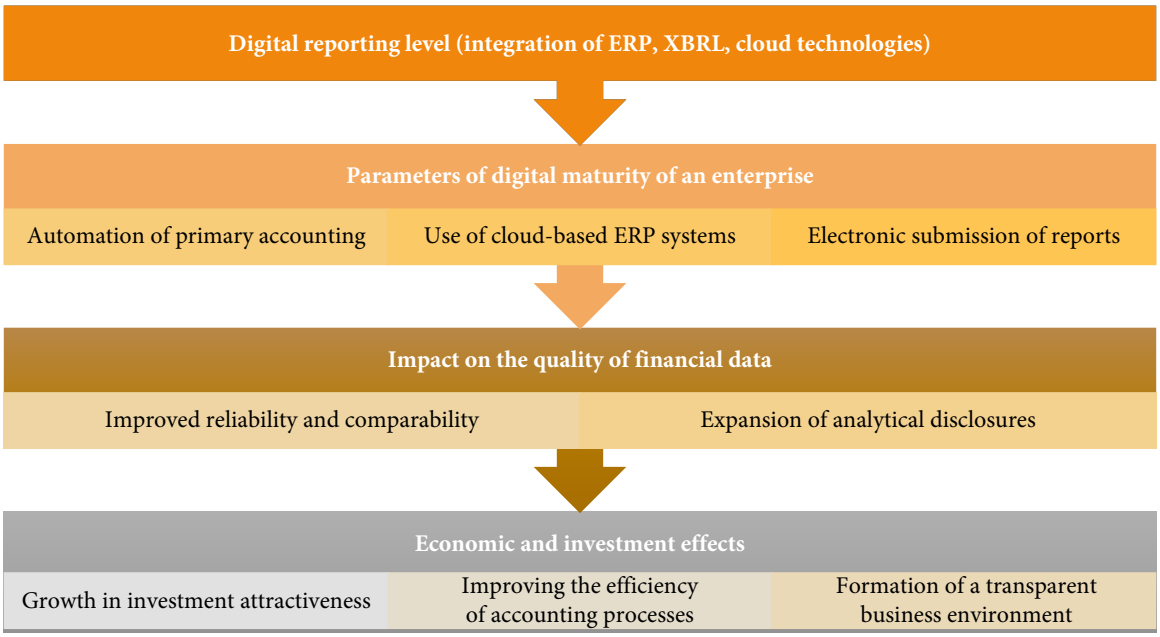


Figure 1. Model of the relationship between the digital level of reporting and the quality of financial data
Source: compiled by the author based on OECD (2021), J. Sarker (2025)

Based on the presented model, recommendations can also be formulated for harmonising the Ukrainian financial reporting system with European standards, which envisage three key areas. The first is the unification of reporting formats: a gradual transition to universal XBRL-type electronic taxonomies compatible with the European BRIS and e-Balance systems, which will ensure technical comparability of data. Second, strengthening requirements for explanatory notes and disclosure of information, especially regarding accounts receivable, liabilities, state aid and related party transactions; this approach will increase the confidence of investors and analysts in the financial results of micro and small enterprises. Third, the introduction of internal control procedures in the digital environment, including automated data verification modules, audit logs and artificial intelligence-based error detection algorithms.

The implementation of these steps will create a unified, integrated financial reporting infrastructure that complies with the principles of transparency, neutrality and comparability defined in international standards. For Ukraine, this means not only technical modernisation, but also strategic strengthening of confidence in accounting

information, creating the conditions for attracting investment and ensuring the sustainable development of the national business sector in the European economic space.

Discussion

The topic of harmonising accounting standards, digitising reporting processes and the impact of these transformations on the quality of financial data in the SME sector remains central to many researchers. European practices showed that the introduction of International Financial Reporting Standards for SMEs and digital tools such as XBRL creates a new level of transparency, comparability and analytically of financial data. The results of the study are fully consistent with this trend, demonstrating that it is digital integration and standardisation of reporting forms that increase the reliability of indicators and promote transparent financial management. This can be used to view financial reporting not only as an accounting requirement, but also as a strategic tool for sustainable business development. G. Bucior & E. Jaworska (2023) examined the experience of Polish micro-enterprises in the process of abandoning paper-based financial reporting. The study determined that the main challenge for enterprises was not so much technological adaptation as a change in organisational culture and managerial thinking. They proved that the success of the transition to electronic reporting depends on the willingness of management to delegate authority and trust automated systems. The study also noted that the transition to digital formats is accompanied by increased discipline in accounting processes and accuracy of reporting indicators. Present study demonstrated similar patterns: the study determined that the introduction of electronic reporting can reduce the number of arithmetic errors and increase the reliability of data, which indicates the universal nature of the challenges of digital transformation for microbusinesses.

M. Al-Okaily *et al.* (2024) examined how the introduction of the extensible business reporting language format affects the transparency of financial information in the digital environment. The study demonstrated that automated data verification in XBRL systems reduces information asymmetry between companies and users of financial statements. M. Al-Okaily *et al.* (2024) noted that this effect is even more pronounced in countries with transitional economies, as trust in electronic data increases in an environment of limited audit oversight. The study confirmed these findings, as the introduction of XBRL in Ukraine led to an improvement in the quality of audit procedures, a reduction in the number of non-systemic errors, and improved comparability of financial indicators between companies in different industries. Thus, digital reporting is not just a technological innovation, but a mechanism for increasing trust and accountability in business.

Instead, J.A. Smith *et al.* (2022) emphasised the need to redefine the role of accounting in small businesses as an element of public accountability. The study highlighted that SMEs tend to perceive accounting as a compulsory administrative procedure, whereas in European practice it increasingly serves as a means of communication between business, government and society. The authors emphasised that digital forms of reporting expand opportunities for analysis, comparison and control. The study confirmed a similar trend: electronic reporting systems in Ukraine not only increase the transparency of indicators but also shape a new management culture, where accounting becomes a source of strategic information for decision-making. At the same time, there is still a need to develop a culture of responsible disclosure, which is a key condition for trust in financial information.

The impact of the introduction of international financial reporting standards for SMEs on the properties of financial indicators and the cost of debt financing in private firms in Sweden was investigated by N. Hellman *et al.* (2022). The study determined that the application of standardised rules for the valuation of assets and liabilities reduces the volatility of indicators and improves the predictability of profitability. At the same time, the simplified reporting structure reduces the cost of preparing documents and facilitates access to bank lending. The study demonstrated a similar pattern: harmonising Ukrainian accounting regulations with international standards ensures better comparability of reporting, which is relevant for companies that attract external financing. This indicates a direct link between standardisation of reporting, reduction of information risk and increased investment attractiveness of businesses.

D. Cicchini *et al.* (2024) compared approaches to digital reporting in the EU and the US, emphasising the combination of financial and non-financial disclosures. The study concluded that disclosure standards in the EU are more flexible but of higher quality due to the integration of environmental and social aspects into financial reporting. The authors emphasised that the digitalisation of reporting has catalysed the transition from a narrow accounting approach to a comprehensive approach to corporate transparency. The study confirmed this thesis, as the Ukrainian experience of implementing digital formats also demonstrates a trend towards expanding disclosures and including non-financial indicators in reporting, which correlates with the European logic of "sustainable development reporting". A. Reino *et al.* (2020) investigated the relationship between organisational culture and the financial performance of Estonian companies. The study concluded that organisational openness, innovation orientation and support for staff training contribute to better financial performance of enterprises. The study also emphasised that digital technologies are a tool for strengthening transparency and accountability, as they change corporate culture towards trust in data. The study confirmed a similar relationship: the success of the digitalisation of financial reporting in Ukraine is determined not only by the availability of technical infrastructure, but also by the willingness of business leaders to perceive accounting as a strategic element of management, rather than merely a regulatory requirement.

At the same time, P. Schorn *et al.* (2021) emphasised the development of integrated reporting in the German SME

sector. The experts demonstrated that combining financial, environmental and social information in reporting helps to increase trust on the part of investors and banks. The study also emphasised that the introduction of digital tools makes this process more efficient and economically viable even for small businesses. The study is consistent with these findings, as it proves that digital reporting platforms in Ukraine not only increase the transparency of financial indicators but also create the possibility of integrating non-financial data into a single information environment.

Based on panel data, emphasising that models that reflect time dynamics more accurately reflect the relationship between management structure, digital processes and financial results, M. Yousaf (2025) analysed methods for assessing the performance of enterprises. The study proved that in the current conditions of digitalisation, the efficiency of an enterprise depends not only on resources, but also on the ability to integrate data for strategic decision-making. The study confirmed this approach: analytical systems related to digital reporting formats create a basis for forecasting and strategic planning, which transforms financial reporting into a management tool rather than just a form of reporting to the state. Summarising the results of the analysis, it is possible to state that European studies confirm the key pattern identified in the conducted research: digitalisation, harmonisation of standards and the formation of a reporting culture are interrelated processes that enhance the quality of management decisions. European experience shows that the integration of IFRS for SMEs and XBRL digital formats creates a stable information ecosystem in which financial reporting becomes a mechanism for managing risks and increasing trust between business, government and investors. For Ukraine, further improvement of the financial reporting system requires the development of digital tools, updating the regulatory framework and forming a culture of transparency, which will be a prerequisite for integration into the European financial space.

Conclusions

The study provided a comprehensive overview of the financial reporting system for small and micro-enterprises in the context of NAS and IFRS for SMEs. The study proved that the quality of reporting is determined not only by the correct application of methods for valuing assets and liabilities, but also by the consistency of accounting policies, the completeness of explanatory notes and the level of digital maturity of accounting processes. The peculiarities of micro-enterprises are considered, for which simplified reporting needs to be supplemented with disclosures on the structure of assets, deferred expenses and related party transactions, which will increase the transparency of information and the reliability of analytical conclusions.

A conceptual model of the relationship between the level of digitisation of reporting and the quality of financial data has been developed, reflecting the logic of the transition from paper-based and fragmented forms of submission to an integrated electronic ecosystem. The model covers three interrelated blocks: regulatory – harmonisation of Ukrainian standards with EU directives and IFRS for SMEs; technological – implementation of XBRL, ERP systems and cloud platforms; analytical – assessment of the reliability, comparability and usefulness of financial data for management decisions. The study showed that harmonising Ukrainian standards with EU directives creates a basis for comparability of indicators and ensures transparency of financial flows. The study determined that the digital transformation of reporting through the introduction of XBRL taxonomies and ERP platforms contributes to increased reliability, efficiency and control over data. The study established that micro-enterprises that switch to electronic formats reduce the time spent on reporting and reduce the number of arithmetic errors by three times. Combined with analytical tools, this creates the conditions for a transition to the concept of "real-time reporting". A comparison of practices in Ukraine and EU countries has shown that the key factor in improving the quality of reporting is digital standardisation and the integration of national formats into the European BRIS, e-Balance and SAF-T systems.

The recommendations based on the research results describe the implementation of standard digital reporting templates in micro and small enterprises with the possibility of automatic verification of XBRL structures, the creation of industry guidelines for the disclosure of explanatory notes following Directive No. 2013/34/EU, the introduction of internal audit systems emphasising verification of the consistency of financial, tax and management data, and the development of programmes to improve the digital competence of accountants to ensure the correct completion of electronic forms. Further research should conduct a quantitative assessment of the impact of digitalisation on reporting reliability indicators, comparison of the effectiveness of different accounting automation models, and a study of the long-term effect of harmonisation of Ukrainian standards with European ones in the context of integration into a single economic space.

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Conflict of Interest

None.

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Особливості складання фінансової звітності малими підприємствами та мікропідприємствами: український та міжнародний досвід

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Анотація. Метою статті було обґрунтування теоретичних і прикладних засад удосконалення складання фінансової звітності малих підприємств і мікропідприємств в Україні з урахуванням міжнародного досвіду та цифрової трансформації облікових процесів. Методологічну основу становили порівняльний та контент-аналіз, узагальнення практик подання даних у форматі розширюваної мови бізнес-звітності та спостереження. Емпіричну базу сформовано на основі офіційних аналітичних та статистичних звітів. Отримані результати дали змогу ідентифікувати ключові відмінності між вимогами національних стандартів бухгалтерського обліку та міжнародних стандартів для малих підприємств у частині складу звітності, принципів оцінки активів і зобов'язань та розкриття інформації. Виявлено, що запровадження цифрових форматів звітності та гармонізація методичних підходів підвищують порівнянність і достовірність даних, скорочують час на підготовку звітів і знижують ризик арифметичних та класифікаційних помилок. Доведено, що використання інтегрованих інформаційних систем, зокрема систем планування ресурсів підприємства та хмарних платформ, сприяє формуванню єдиного інформаційного простору між обліковими, податковими й аналітичними підсистемами. У результаті сформовано структуровану модель взаємозв'язку між цифровим рівнем звітності та якістю фінансових даних, а також у рекомендаціях щодо гармонізації української системи фінансової звітності з європейськими стандартами. Запропонована модель включає узгодження форматів подання звітності, посилення вимог до пояснювальних приміток і розкриття інформації, впровадження внутрішніх контрольних процедур для забезпечення порівнянності та прозорості. Матеріали дослідження можуть бути використані під час розроблення державних стратегій модернізації фінансової звітності, удосконалення податкової політики та підвищення інвестиційної привабливості українських підприємств у процесі інтеграції до європейського економічного простору

Ключові слова: бухгалтерський облік; економічна прозорість; гармонізація стандартів; цифрові формати даних; управлінська аналітика; регуляторна конвергенція; якість інформаційних систем