

Audit as Obligatory form of Surveying of Legal Entities' Activities When Carrying out Financial Analysis in Course of Procedures of Cross-Border Bankruptcy

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ABSTRACT

The relevance of the researched problem is determined by acute necessity of carrying out financial analysis of legal entities or consolidated group of legal entities in the framework of the case of cross-border insolvency (bankruptcy) and revealing signs of fictitious and deliberate bankruptcy. The article is aimed at the necessity of inculcation single audit standards in order to detect the reasons of the loss of solvency and to reveal the debtor's assets, taking into account basing countries, during the procedures of cross-border bankruptcy. The main approach to carrying out financial analyses is to determine the level of the indexes' essentiality of financial accounts and the high level of risk of non-revealing from the point of the manager, appointed by court on the insolvency lawsuit, that allows make a conclusion about possible errors and omissions in financial report on the selective check stage. The necessity of compulsory engagement of auditors to research financial and economic activity of insolvent legal entities and the importance of law auditors' authority consolidation in the case of cross-border bankruptcy are based in the article. The materials of the article have a practical value for the state control formation in cases of bankruptcy, where the quality of audit services is a key element of model of an audit efficiency in insolvent conditions.

Keywords: audit, importance level, risk of non-detection, cross-border bankruptcy, financial analysis

INTRODUCTION

An insolvency (bankruptcy) is an inability of the debtor (an individual or organization) to satisfy creditors' claims on monetary obligations entirely and (or) to perform liabilities in paying mandatory payments according to the opinion of an authorized body.

The term "bankruptcy" means a procedure applied to a debtor purposed to assess his financial condition and cultivating measures to improve debtor's financial condition.

In case if application of such measures are admitted inexpedient or impossible - for the most equal and equitable satisfaction of creditors' interests of the insolvent debtor at the expense of sale of his property and property rights.

It is important to note that an organization can be called bankrupt when a court admits a fact of insolvency or in the case of an official self-announcement about bankruptcy and liquidation that is realized in framework of bankruptcy proceedings.

The meeting of creditors is formed to control the procedure of bankruptcy properly, or the committee of creditors can be formed when necessary, a receiver is appointed and activity of legal entities during the pre-bankruptcy period is investigated in framework of financial analysis [1].

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A procedure of bankruptcy shall be completed by liquidation of the debtor legal entity or by complete satisfaction of the creditors' claims in the full amount. In one case, a company might be temporarily insolvent being unable to pay a debt in due time, while the debtor's property can cover the debt by the end of a certain period. Bankruptcy implies the absolute disability to satisfy creditors' property claims which is acknowledged by court, including due to limitations caused by controllers' actions [2].

Nowadays, a number of cases of cross-border insolvency increased significantly, and there is no methodology of carrying out insolvency procedures and financial analysis of cross-border companies' activity with accounting for appropriate internal national standards (COMI standard) that could effectively regulate insolvency issues [3]. Consequently, it should be emphasized that such procedures which are beyond national states induce creating of new mechanisms and effective measures to conduct financial analysis, preventing possible abuses by authority bodies [4].

Extensive bankruptcies of large companies and groups of companies might be regarded as an example; the Lehman Brothers case wherein 75 insolvency proceedings were instituted in 16 states. The case of bankruptcy of Maxwell Communication Corporation proceedings whereon were held in Great Britain and the United States had a great resonance. Besides, there are a number of cases widely known in the European area: the case of Eurofood IFSC Ltd. company and the group of companies Parmalat SpA, the Daisytec SAS case, the production of Greater Beijing First Expressway Limited, Systech Retail Systems Corporation and many others [5].

METHODOLOGICAL FRAMEWORK

Methods of Research

The following methods were used in course of the research of compulsory introduction of audit standards throughout cross-border bankruptcy procedures and a choice of an approach to studying of problems of conducting a veracious financial analysis, which is necessary to elucidate the debtor's financial condition: theoretical (collecting of initial data); statistical (collecting, summarizing and analysis of generalized data (facts and theses), processing of received results); empirical (studying of national and international lawmaking standards governing carrying out of bankruptcy and cross-border bankruptcy procedures, regulatory documentation; observation).

The Research Experimental Database

The formed library of UN Commission on International Trade Law (UNCITRAL), as on July 2016, in terms of implementation of the Convention on Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York) and documents of the 5th Working Party of the United Nations Commission on International Trade Law on Insolvency (Bankruptcy) Law and Practice served as the experimental and precedent database. Over the years of its existence, UNCITRAL has been recognized as the main legal body of the United Nations in the field of international trade law, whose subject is modernization and harmonization of the standards of international commercial activity, including those of cross-border bankruptcy.

The Research Stages

The problem research was carried out in three stages:

1. The theoretical analysis of existing methodological approaches to financial analysis taking into account the COMI-standard under use and incorporation criteria.
2. The creation, modeling and forecasting of results of financial analysis and the conclusion regarding detection of a fictitious or deliberate bankruptcy in cross-border insolvency procedures, and retrospective and retrograde analysis.
3. The generalization and systematization of received results, identification of defects in structuring of the key element pattern, the comparison with international audit standards.

RESULTS

Introduction of Audit Standards during Carrying out of Cross-border Bankruptcy Procedures

The quality of audit services is the key element of an audit efficiency under conditions of cross-border bankruptcy. There is a complex of economical and organizational measures based on relevant pecuniary responsibility and selective involving of auditors for participation in a competitive or selective processes of

professional associations. It is possible to find serious mistakes and distortions in financial reports even on the stage of planning of the audit due to the of auditors' high level of responsibility and special knowledge. Information submitted for examination is divided into constituent parts classified according to the risk level and significance boundaries. Besides, accounting and internal control systems applied by the entity are taken into consideration and a scheme of comprehension of fields of expedient complete or sample auditing is being formed. Upon choosing of the audit procedures, the scope of information needed for conducting of a proper sample verification shall be determined.

Basic Factors in Course of an Audit

Unconditional choice of unified applied financial coefficients providing the required reliability and veracity of financial analysis, regardless forms of financial reports (IFRS, IAS, IFRIC, SIC, GAAP, RAS) and the nationality, is crucial at the all stages of the research. The lack of a coordinated system between countries for working out and conducting of financial analysis, with taking into account domicile countries, and for finding risks of financial stability is one of the main reasons of the absolute bankruptcy of a company and related persons, as well as inability, inefficiency or extreme difficulties of conducting of rehabilitation procedures and remote administration of the debtor:

- the degree of risk related to conducting of the audit (non-detection risk);
- the degree of essentiality;
- the degree of precision of an expected outcome;
- an assessment of reliability of the internal control system.

It is worth noting that in some countries a receiver in a bankruptcy case does not conduct and does not possess skills to conduct calculations of the level of essentiality which is used only by auditors to define veracity of accountant (financial) reports of an audited person. To calculate the minimal amount of coefficients, a receiver in a bankruptcy case will use the financial accounting, the profit and loss report, the report about changes in equity, the explanatory note, assumptions of the uninterrupted activity during a certain financial period, and so on (the list is not exhaustive), without indispensably feeling confident in the consolidated financial accounting generated in accordance with International Financial Reporting Standards, when conducting the financial analysis.

Delegation of functions to the auditing company in course of delineation of the receiver's authorities within framework of a cross-border bankruptcy case in terms of carrying out a qualified, quantitative and qualitative analysis of the financial state of an insolvent legal entity will fully contribute to improving of the insolvency proceedings effectiveness in a future period of time.

The Audit Objectives during the Bankruptcy Procedures

Beside carrying out of financial analysis and matching the data of consolidated financial reports formed in the accordance with International Financial Report Standards (hereinafter referred to as IFRS), an audit engagement can include the following objectives:

- to check economical expediency of transactions for property alienation and assignment of receivables to third parties and conformance thereof to national laws;
- to detect actual receivables to be recovered, including losses from fictitious transactions and from subsidies short-received;
- to detect possible ways of removing assets out of control of an organization or a group of persons;
- to calculate and to study dynamics of changes in net and total cash outflows;
- to prepare recommendations regarding legal methods of asset repayment in suspicious transactions;
- to analyze the changes of composition, structure and valuation of property by the balance and debtor credentials;
- to expose the sources of uncertainty associated with the value of the expected expenses;
- to work out organizational and economic measures aimed at increasing the amount of funds from the sale of the insolvency estate;
- to analyze formation of accounts payable, the legality of concluded contracts, the prices of acquirable resources and the selection of suppliers;
- to calculate and to study dynamic of basic earnings per share;
- to check the expediency of expenses for carrying out the bankruptcy procedure;

- to assess the actions of the insolvency administrator of bankruptcy estate formation, measures taken to find and return property to the bankruptcy estate and collect receivables;
- to check the completeness of inventory by the insolvency administrator and the veracity of its results;
- to check the register management of creditors' demands and payments thereon.

The efficiency and the impact of audit services applied during the insolvency can be regarded as:

- increasing the bankruptcy estate as a result of obtaining the assets from the suspicious transactions which were identified and contested in court with the participation of the auditors;
- expertise of formation of a creditor debt results whereof can lead to increasing of the amount of established creditor requirements compared with debtor credentials;
- provision of the proper control of the bankruptcy procedure and the administrator's activity, in order to prevent the unsubstantiated consumption and the possible property impairment.

It is possible to pay for services at the expense of the insolvent entity's property which allows to release the government budget from certain expenditures.

Development of the Financial Analysis Methodology taking into Account the Branch Specificities

The key responsibility of the audit organization is to work out and apply the methodology for analyzing the enterprise's financial accounting, taking into account the branch, economical and other specialties, in order to investigate the actual reasons of insolvency and to conduct a completely, comprehensive property verification, to compare the actual availability of property with accounting data and to check the completeness of recognition of liabilities. To conduct the proper financial analysis, it is necessary to process significant amounts of information: performance indicators, reference data, classifiers, documentation systems, arrays of primary data on appropriate media, allowing to organize and systematize reliable information about researched object condition. Preparation of a financial analysis is partially similar to the preparation of a standard audit of accounting. It is necessary to collect sufficient information in order to get a detailed conception of the financial and economic activities of the organization, specifics of branch activities, the amount of assets and liabilities, the perimeter of consolidation, a description of the most important principles of the accounting politic, significant assumptions and an assessment in the accounting politic and the segment information.

It should be understood that the identification of buildings and structures during the inventory is complicated by the fact that the debtor's real property often is not registered according to law. The identification of machines and equipment has its own specifics: equipment often does not have the proper technical documentation, it is difficult to identify the property. Identification of current assets also has a peculiarity, namely, if the production activity continues, the composition of current assets will change constantly. If the production activity in the countries of its presence is stopped already in insolvency proceedings, the property will begin to decrease quite rapidly due to natural processes.

Disclosure of Sources of Uncertainty and Assumptions of Future Periods

There are imaginary assets of the organization: property, rights and other assets which are recorded in accounting (and / or tax accounting), acknowledged in the balance of the organization and accounted for calculation of net assets or the organization's own funds, but are actually absent in the organization. Such assets should be obligatorily written off. It is necessary to take into account the actions of persons who control the debtor on possible formation of insolvency, specifically expenses; actual and forecast decrease of the property total value in the dynamics; decrease in the value of liquid and readily liquid assets; decrease in the value of short-term receivables in a short-term forecast period; decrease of the organization's equity capital; sharp fluctuations and instability of the total revenue; increase in the amount of losses of the organization; commercial activities without any profit motives with intention to increase the loss ratio and reduce the liquidity.

A requirement is introduced into International Financial Reporting Standard (IAS) 1 "Presentation of Financial Statements" which runs that an entity has to disclose information about assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period which include a considerable risk of the need to make essential adjustments in the carrying amount of assets and liabilities.

Transparency of Financial Information and Prevention of Development of Crises

A compulsory audit in course of bankruptcy procedures in respect to a business entity, whose property or interests are located in two or more countries, will be focused on financial analysis, and, at interested persons' request, on collecting facts and ensuring veracity of information contained in the manager's reports by assessment

of objective data about passage of bankruptcy procedures and its compliance to legislative and regulatory acts. The absence of a single system of financial analysis is one of the main reasons of crisis development at enterprises, which appealed for protection from creditors and as a result - the absolute bankruptcy of the enterprise and its related persons.

The differentiated choice of the optimal and necessary number of significant financial ratios, providing the required reliability and veracity of assessing the reasons of bankruptcy without dependence from the forms of financial reporting (IFRS, IAS, IFRIC, SIC, GAAP, RAP) is the main in both approaches. Veracity and quality of the financial analysis allows to make deliberated and justified decision during the choice of procedure in the bankruptcy case: receivership, reorganization, conservation of companies being in a difficult financial situation, in order to protect the investments and to save jobs, or the liquidation under control of the government and creditors.

Improving the Quality of Identification, Preservation, Collection of Debtor's Assets, Investigation and Analysis of Financial State and Presenting the Information to Users

1. The insolvency (bankruptcy) administrator does not detect and does not have skills to detect the level of materiality, which are used only by auditors to determine reliability of their financial (accounting) reports. However, economic and organizational measures, based on the appropriate material responsibility and involvement of the auditors in selection to participate in a competitive process of self-regulating professional associations, will ensure the quality level of an audit of insolvent legal entities. The increased responsibility of auditors and special knowledge allow to detect essential errors and omissions as early as at the stage of the audit planning.
2. The complexity of financial analyses of insolvency proceedings in a number of countries is caused by the fact that each country has internal national rules that regulate insolvency issues. Legal systems of states think differently about protection of creditors' interests, determination of managers' rights and aims of legal regulation of insolvency-conditioned relations. England protects creditors more than other countries, the US model is less liberal to creditors and combines protection of the debtor's interests with the rehabilitation of enterprises and corporations, while France aims at improving of enterprises to the detriment of creditors.
3. In course of insolvency proceedings, the bankruptcy administrator shall prepare a report that is submitted to the creditors meeting and approved subsequently by a national government body. Interim reports are in fact a very simplified form of a financial report by the insolvency administrator. The special forms of the above-mentioned reports are not approved and are not regulated in the framework of international agreements on cross-border insolvency cases, that makes the practical application difficult to facilitate the development of a common policy framework for resolving basic administrative issues arising from the cross-border and international insolvency proceedings. A typical report does not fully reflect the process of formation and motion of the bankruptcy estate, so, the article proposed to approve a single standard form and to supplement it by adding mandatory items related to formation and preservation of the bankruptcy estate, and effectiveness of the audit services in course of the cross-border insolvency.

DISCUSSIONS

Taking into account the lack of measures aimed at reformation of national legislations in terms of conducting of financial state analysis and financial reports of an entity and group thereof, as well as the lack of globally important multilateral contractual arrangements on issues of cross-border insolvency, conclusion of certain regional agreements took place; however, such matters are possible only in the countries of a certain specific region wherein similar insolvency regimes and standards of the general commercial law are valid.

The work on development of Bankruptcy Convention had been carried out since 1960. The European Convention of some international bankruptcy aspects of 1990 (the Istanbul Convention) was adopted in 1990. Then, after the only ratification (by Cyprus), the Convention of 1990 was replaced with a draft of the European Union Convention on insolvency proceedings. In May 1999, this Convention was reanimated as a European Council Regulation, which was adopted by the Council on the 29th May 2000 and entered into force on the 31st May 2002 [6].

One such project was the Model International Insolvency Cooperation Act (MIICA) developed under the auspices of Committee J of the Section on Business Law of the International Lawyer Association in 1989. The experience with MIICA also indicated the importance of involving Governments in the negotiation process (the key element of UNCITRAL formation) for achieving a success. Subsequently, the UNCITRAL Model Act was adopted by the UN Commission in 1997. As stated in the preamble, the Act mostly focuses on the legislative framework, which is necessary from the point of the cooperation and coordination of the cross-border insolvency productions settlement, to achieve the following common aims:

- a) cooperation between the courts and other competent authorities of the government adopting the Model Act and foreign countries taking a part in the cross-border insolvency cases;
- b) increasing of legal certainty for trade and investment;
- c) fair and efficient management of the cross-border insolvency production in course of protection of all creditors' interests and other interested persons, including the debtor;
- d) protection and maximization of the value of the debtor's assets;
- e) promotion of the rescue of financially troubled businesses, in order to protect investment and preserve employment.

Procedural orders and methods of cross-border bankruptcy procedure are at the stage of development now. The problems of global bankruptcies and the detection of the debtor's property status, taking into account home countries and the center of the main interest, are the subject of study and the formation point of an international enforcement practice. However, the scientific advances of T.N. Neshataeva [7], L.U. Sobina [5], V.V. Stepanova [8], V.N. Tkachev [9], I.F. Fletcher [10], G. Moss, I. Fletcher & S. Isaacs [11], F. Tung [12], as well as a lot of presented non-state and governmental initiatives in the framework of cross-border bankruptcy, do not concern the issue of identification, preservation, collection and realization of the debtor's assets, including assessment of the procedure of the remittances return and the compensation for losses in the case of avoidable transactions; neither do they concern the investigation and financial analysis necessary for recognizing of the debtor's financial status, which is a material omission.

In the Russian Federation, compulsory analysis of the debtor's financial position is regulated by art. 70 of Federal Law No. 127 of 26.10.2002 "On Insolvency (Bankruptcy)", which sets out the purposes of conducting an analysis in the procedure for monitoring and the procedure for conducting an analysis of the debtor's financial position and Rules for conducting financial analysis by an arbitration manager Decree of the Government of the Russian Federation of June 25, 2003 No. 367, which defines the principles and conditions for conducting the analysis, the composition of information and conclusions that the arbitration administrator must make as a result.

Some of the objectives of the financial analyses are:

- detection of fictitious and / or intentional bankruptcy signs;
- preparation of a proposal on the possibility (impossibility) of restoring the debtor's solvency and the desirability of introducing an insolvency (bankruptcy) procedure;
- determination of the potential for absorbing court fees of the insolvency (bankruptcy) case, at the expense of the debtor's property;
- preparation of a receivership plan and possibility of administration of the debtor.

According to para. 2 section 2 of Art. 70 of Federal Law No. 127 of 26.10.2002 "On insolvency (bankruptcy)", involvement of an auditor in the case of absence of accounting documents veracity whereof is confirmed by the auditor if the accounting and compilation of financial (accounting) reporting are subject to mandatory audit, and for the analysis of the debtor's financial status. In other cases, the interim receiver has to perform financial analysis of the debtor's position by himself, while involvement of a specialist is regarded by the courts as inexpedient expenses which may not be paid at debtor's expense.

As an analogy, we can note the following: the 109th Congress of the USA adopted the Bankruptcy Legislation, specifically the Consumer Protection and Prophylaxis Act 2005 (BAPCPA) (PubL. 109-8, 119 Stat. 23, adopted on April 20, 2005 and subsequently signed by President G. Bush) which introduces a number of significant changes to the US Bankruptcy Code. Most provisions of this law cover cases of recognition of bankruptcy after October 17, 2005 and affects bankruptcies of consumers and commercial bankruptcies. In particular, the law requires that a certain number of bankruptcy cases (at least 1 of 250 cases) filed in each judicial district within Chapter 7 or 13 of the US Bankruptcy Code must be verified by an independent auditor or an audit firm (US Bankruptcy Code provides Chapter 7 of the US Bankruptcy Code (liquidators), Chapter 11 (corporate reorganizers) and the procedures of Chapter 13 (reorganization of individuals). The audit company has 21 days to complete an audit and submit a financial report to the court; however, a selective audit cannot be considered effective in the framework of cross-border bankruptcies: it was discontinued due to impossibility of financing from the budget and was resumed only in 2014. The UNCITRAL Model Law on Cross-Border Insolvency Cooperation and the Council of the European Union Regulations on Insolvency Proceedings also do not contain provisions, recommendations or explanations about qualitative analyses of the financial condition of insolvent legal entities that have business interests and assets in two or more receiving countries [13, 14].

In Australia the Corporate Affairs Commission is the State body of bankruptcy and it conducts financial analyses of companies in course of bankruptcy proceedings.

In UK the Insolvency Service, which is a part of Ministry of Entrepreneurship and Innovation, plays the role of State Body of bankruptcy. One of functions of the Insolvency Service is precepts for companies to pass audit checks

at the company's expense and appointments of auditors to audits who are accredited by Auditors Service and, if necessary, to implement measures on initiating bankruptcy cases when the Service realizes that it conforms to interests of the society.

The State Bankruptcy Authority of Canada, which includes the Superintendent of Bankruptcy Service, possesses wide powers. Under Superintendent's auspice, the Advisory Council was founded whose members are representatives of industry, banks, universities. The Advisory Council is called up to make recommendations on the strategic direction and plans of the CoB activities. By a special agreement between the Superintendent of Bankruptcy and the Canadian Association of practitioners in bankruptcy in 1984, the Joint Committee on Bankruptcy (EDO) was formed in order to carry out advisory assistance.

Crisis phenomena of the global economy contribute to increase of the number of international bankruptcies. Nowadays, due to development and acceleration of globalization of business, international capital markets and investments, a serious necessity arises in creation of common international legal standards for financial analysis of insolvent legal entities in order to introduce a scheme of dealing with insolvent enterprises that possess units outside their national borders [15, 16, 17].

The financial analysis is an exceptional function in the bankruptcy case. It is the financial analysis in course whereof it is possible to make a reliable conclusion about real reasons for the loss of solvency, whether it is possible or impossible to restore the solvency of an insolvent legal entity. Conclusions that are based on the financial analysis, must give a real picture of the sufficiency and the degree of liquidity of his property in order to choose one or another direction of the bankruptcy case in accordance with national principles and they are essential, as it is the basis for decision-making on the imposition in accordance to enterprises: external management, reorganization, preservation of financially problematic enterprises in order to protect the investments and save jobs or liquidate under the control of the government and creditors [18].

The qualitative assessment and analysis of the causes of loss of solvency, identification of a fictitious and deliberate bankruptcy aimed at suppression of the abuse of controlling persons, as well as reliable identification of the debtor's assets, with taking into account the domicile countries in order to form the bankruptcy estate, requires an absolutely different approach to the financial analysis and consolidated reporting, formed in accordance with IFRS and the activities of the insolvent company or a group of persons in framework of parallel productions.

CONCLUSION

The modern practice of business in the world's leading countries demonstrates the necessity of active involvement of audit firms to perform certain functions of government financial control. At the same time, authorities of government financial control should regard audit companies as independent embedded contractors. In this regard, the problem of improving the quality of financial analysis by introducing audit standards, adapting them for the practical conditions and features of insolvent entities' activities becomes a key issue. Therefore, engagement of the auditors into insolvency problems based on the creation of a relevant legal framework can become one of the effective forms of government influence and control.

Moreover, there is expediency in involvement of auditors to verify the reliability of a report by managers who are appointed in bankruptcy cases, and expediency of assessment of legality of their actions in formation and spending of the bankruptcy estate. Actually, an insolvent entity who doesn't have funds in a current account may have significant non-cash assets (land, buildings, structures, equipment, inventory, raw materials, products, accounts receivable and payable, financial investments in the form of securities, rights to define the brand identity of an enterprise, trade name, trademarks, service marks, goodwill and other exclusive and intellectual rights provided by law, contracts or agreements), the control and withdrawal whereof is necessary in order to avoid damages and losses to the bankruptcy creditors and investors.

Foremost, these circumstances directly affect stakeholders' interests with the initiative to prosecute insolvency proceedings in the territory of those states where assets of the insolvent debtor are located and make it difficult to improve the qualitative assessment of insolvent companies in the framework of cross-border bankruptcies.

Thus, at present there are not any effective and unified national mechanisms of financial analysis of insolvent companies in the framework of cross-border bankruptcies. In this regard, involvement of a mandatory audit and assignment of possible functions for proper government control to the latter will allow to stop the circumvention of legislation by the business of any nationality having the corporate form of a foreign legal entity and continuing its activities in other countries out of creditors' reach.

RECOMMENDATIONS

This article is aimed at presenting the information about practical aspect of carrying out financial analysis of insolvent companies in the framework of cross-border bankruptcies, in combination with insolvency cases in some

countries when an insolvent debtor possesses certain assets, and with cases when the debtor's creditors are not in the country where the proceeding on insolvency cases has been initiated. The materials of this research could be interesting for practicing the insolvency cases as well as for the separate categories of debtors, for governments and intergovernmental organizations, judges, insolvency case receivers and appointed insolvency (bankruptcy) and cross-border experts of states, while coming to an agreement in issues of identification, preservation, collection and realization of the debtor's assets, financial analysis, which is necessary for detection of the debtor's financial status, the choice of important financial coefficients, providing of required reliability and veracity of an assessment of the bankruptcy reasons, as well as the choice of the auditor, could be coordinated by committees of creditors or could be conditioned by their consent (especially when the proceeding of the insolvency case is instituted by their initiatives), and it might be (in some cases it must be) fixed in a preliminary intergovernmental writing agreement.

Practical recommendations are based on the description of general experience and the practice of financial analysis and comparing of the data of consolidated financial reporting formed in accordance with International Financial Reporting Standards, and the necessity to choose common financial coefficients, providing the required reliability and veracity of financial analysis, independently on the forms of enterprises' financial reporting (IFRS, IAS, IFRIC, SIC, GAAP, RAS) and on its nationality, in the cross-border bankruptcy cases. Therefore, identification of the property is a part of a bankruptcy case aimed at determination of the property of the debtor's company, as well as beyond national borders for a future enforced realization, while the recommendations presented are aimed at formation, preservation and increasing of the insolvency estate for future settlements with creditors: the engagement of an audit company to carry out the financial analysis and to reveal signs of a fictional or deliberate bankruptcy in course of the cross-border insolvency; carrying out of financial analysis and revealing signs of a fictional or deliberate bankruptcy, taking into account internal national peculiarities of the debtor's recipient countries; the development of unified reporting forms for auditors and a bankruptcy receiver appointed on the bankruptcy case for the persons taking part in the insolvency case.

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