The “Anti-Stapler” and the Transfer of Social Sphere Functions from Federal Enterprises to Local Governments: Lack of Accounting Rules Contributes to Russia’s Financial Woes

Deborah L. Lindberg,* Walter F. Lindberg,† and Khalid A. Razaki*

*Illinois State University, Normal, IL, USA; †Assistant County Administrator, McLean County, Peoria, IL, USA

Key Words: Russia; Performance budgeting; International accounting standards; Accounting in Russia; Raions and oblasts; Taxes

Abstract: This article focuses on funding issues facing local government in Russia during the current financial crisis. It concludes that efforts to develop a budget for the Lysogorski raion were hampered by (1) lack of generally accepted accounting principles, (2) the transfer of commercially unproductive assets from old Soviet enterprises to local authorities, (3) no funding for capital improvements, (4) unshared private information, (5) lack of economic resources to fund everyday purchases, (6) a return to the barter system, and (7) a chaotic system of raising and allocating tax revenue.

Since the collapse of communism in the former Soviet Union, the Russian Federation has attempted to privatize enterprises which were previously owned and managed by the state. The Russian Federal government mandated that local governments assume financial and managerial responsibility for certain functions of these enterprises, in order to encourage enterprise privatization and improve enterprise efficiency (Struyk et al., 1996). Thus, while many enterprises have been transferred to private parties, most social sphere activities, such as education and health care, have been transferred to local governmental authorities. For example, take the case of an old-style collective organization, which was owned and managed by the state. The collective might have owned a farm operation, a canning factory, a bakery, a slaughter house, apartment houses for their workers, veterinary clinics, schools, medical facilities, etc. In the restructuring of the economy, the productive assets of the collective—such as factories and bakeries—would be sold to private owners, sometimes to the former workers,
while the social sphere functions—housing, education, health care, etc.—would become the responsibilities of a local government, which is often ill-equipped to operate and maintain them.

Oblast (state) and raion (city) governments are expected to develop and publish performance budget plans. We observed and participated in the development of the 1998 Performance Budget Plan for the Saratov oblast (state) and the Lysogorski raion (city). The budget included minimum and optimum funding levels for 45 local government functions, as well as performance objectives with over 100 measurable performance outcome indicators. Preparation of the budget highlighted the financial necessity for local governments in Russia to reduce the size and scope of the inherited social infrastructure to an affordable level. However, there is an expectation by Russian citizens that social services will be abundantly present in every small village, just like they were in the days of state-run enterprises, when nobody “kept score” of the cost or effectiveness of those services.

Lysogorski officials prepared all records manually, since computers were not available at the raion level, and rarely seen at the oblast or state level. At the completion of one segment of the budget process, the Chief Financial Officer of the Lysogorski raion was presented with a number of “budgetary luxuries” as a token of gratitude for her cooperation and assistance in the project: a stapler, a staple remover, and a supply of staples. The Chief Financial Officer said she had seen an “anti-stapler” (staple remover) once, but had to have its use demonstrated, since she had never been able to afford a stapler before.

Using the term “anti-stapler” for a staple remover may strike the reader (as it strikes us) as quaint and humorous. Yet, this terminology by a raion official provides a metaphor for what is happening in Russia. “Stapling” can be viewed as the process of neatly arranging and organizing materials, such that there is a reduction in chaos and disarray. In another sense, stapling can signify the bonding of resources in a meaningful fashion to provide a unified whole. In the Western Bloc, when organizations are decoupled from each other, or divest themselves of certain functions, the process is fairly orderly and the consequences are generally manageable. This process can be likened to “staple removing.” However, in Russia, the collapse of communism and the dismantling of the Soviet empire, with its concurrent economic disaster, are drastically more severe than anything witnessed in the Western Bloc since World War II. The process used to transfer social responsibilities to raions with pitiful resources is akin to an economic implosion that has ruptured the fabric of the social infrastructure, and created unmanageable chaos. This process can be viewed as “anti-stapling.”

There are numerous impediments contributing to the plight of the raions. These impediments must be removed or corrected to successfully “staple” the process of providing social infrastructure and services to the raions’ constituents. Despite federal and oblast level mandates to complete transfers of social assets from enterprises to raions by arbitrary dates, the local governments’ financial and management shortcomings have, in fact, frequently caused these transfers to be ineffective. The transfer of assets from the old Soviet enterprises to local governmental units is complicated by several impediments including: (1) lack of generally accepted accounting principles, (2) the unproductive nature of the assets, (3) little or no funding for capital improvements, (4) private information that is not always included in budgetary numbers, (5) lack of
economic resources to fund everyday operations, (6) a return to the barter system, and (7) a chaotic system of raising and allocating tax revenues. Each of these impediments is discussed below.

**IMPEDEMENTS TO PERFORMANCE BUDGETING**

**Lack of Generally Accepted Accounting Principles**

The lack of a meaningful set of accounting principles and procedures contributes to Russia’s financial woes. Western-style accounting methods had no place in the communist system in the former Soviet Union. One of the main purposes of accounts under communism was to show whether an enterprise was complying with norms and standards, or output targets set by the central government (Bush, 1998). Russian Accounting Regulations (RAR) emphasized the safeguarding of assets in their approach to accounting for fixed assets and inventory. Accounts were maintained to help the central planners stop people from stealing, by keeping tabs on inventory (Higgins, 1998). Extensive physical inventories of all assets were required every year, and any shortages had to be investigated and explained (Schneidman, 1997). With few exceptions, an identical chart of accounts was constructed for all enterprises (Sherry and Vinning, 1995). Accordingly, there was no flexibility in the choice of an accounting system to use in the development of a chart of accounts best suited to a raion’s budgeting needs. The inflexibility of the recording and reporting systems was a major impediment in efforts to introduce Performance Budgeting Programs and cash flow forecasting in the Lysogorski raion.

Accounting standards inherited from socialism are inadequate to determine the historical cost of an enterprise, much less net present value (Gray, 1996). The RAR accounting approach provided little or no capability to determine profits and losses for individual enterprise functions, or for the overall enterprise. For instance, the collective bakery used collective-produced grain to make bread for sale, but it also provided bread at no charge to feed its workers, school children, and hospital patients. There was no accounting for the distribution of the bread among the various functions of the enterprise. Since there were no allocation of revenues and expenses to segments, there was no way to determine the total cost of an enterprise function.

The transfer of assets from old Soviet enterprises to local authorities is also hampered by numerous problems in valuing the fixed assets. Depreciation rates used by Russian officials still follow state-set formulas, which inhibit accurate evaluation of fixed assets and discourage replacement of obsolete buildings and equipment. For instance, Western accountants depreciate most buildings over 30 years or less; in Russia, buildings are decreed to last up to 100 years (Higgins, 1998). Therefore, the net book value of most fixed assets may be overstated by Russian accounting rules, to the extent that using 100 years for estimated useful lives is unrealistic. Fixed assets in Russia could not realistically be valued using “market values,” since a “market value” for an enterprise, such as an electric utility, was non-existent at the time of the collapse of communism in the Soviet Union. Attempts to use discounted net-present-value methods to value fixed assets are complicated by the common practice of under-reporting revenue. For example, an electric utility might agree to provide free electricity to a raion in exchange for tax credits.
Consequently, both the utility’s and the raion’s revenues are understated, as such a transaction would be “extra budgetary,” or off the books.

Even when a market value was estimated, the condition of an enterprise emerging from communism was not a reliable indication of its earning potential a few years hence. Most enterprises need major restructuring, usually requiring considerable new capital investment (Bush, 1998). Consequently, the assessed value of assets is often arbitrarily made, even though the assets may have been re-assessed several times (Coyle and Platonov, 1998).

Efforts to modernize Russian accounting have been modest. Generally accepted accounting principles (GAAP) are slowly being developed in Russia for financial reporting by publicly held companies (Coyle and Platonov, 1998), but the principles that have been established are not always applied consistently (Schneidman, 1997) and, even fewer guidelines exist for budgeting at the local government level. Russia does not have the equivalent of the Governmental Accounting Standards Board, which governs certain aspects of governmental accounting in the United States and there is no Governmental Finance Officers Association (GFOA) to encourage the development of professional standards. Thus, for local governments, current Russian governmental accounting standards do not even begin to provide a way to track revenue and expenditures for the vastly expanded functions and responsibilities that municipalities have inherited from the enterprises. For example, since most bakeries are now privately owned, school lunchrooms, which have become a responsibility of the raions, have to buy their bread. But raion officials have no idea how to budget for the cost of bread, or any of the many other costs associated with running a school. They have never had to budget for such items in the past, and there is no information available concerning historical costs of providing these things.

The concept of revenue recognition is also a new concept for raion officials. The notion that a profitable auto manufacturer would be taxed, that some of that tax money would be allocated from the Federal government to the raion, and that the local school function would be tax-supported, is a brand-new concept.

Transfer of Unproductive Assets

The transfer of certain enterprises and functions from federal enterprises to local governments has imposed a substantial financial burden on Russian raions. Under the Soviet system, enterprises provided nearly all the social infrastructure (Struyk et al., 1996). Soviet farms, for example, not only paid their employees, but they provided social services, including education, health care, and even housing. Many towns and cities were built around a single enterprise, which was also responsible for providing local amenities. A major task in the restructuring of Russian enterprises is the transfer of these commercially “unproductive assets” to local authorities (Bush, 1998). In fact, enterprises have been most anxious to transfer those assets that were the most expensive to staff and maintain. An essential financial necessity for local governments in Russia is to minimize the size and scope of the social infrastructure so as to reduce maintenance and staffing costs. But Russian citizens expect that such activities will be available to them in every small raion, as they were in the days of state-run enterprises.
While business enterprises are able to concentrate on core activities, Russian raions are left with the task of managing the services that no one else wants to provide, using obsolete assets in deplorable condition. For example, in a rural raion, even the smallest community would have a daycare facility and an elementary school building. These facilities were built many years ago by a collective and were never maintained. The raion could provide a better school system if it simply closed many of these dilapidated neighborhood schools and allocated its scarce resources into fewer, higher quality, facilities. However, this type of consolidation would require a fundamental change in citizen attitudes, and might necessitate implementation of a school bus system. Paradoxically, it is doubtful whether the local roads, which are in disrepair and often unpaved, could handle school bus traffic. Thus, the fiscal and management capacity of local government is often insufficient to provide social services at the same levels as those provided by the enterprises.

It is imperative for raions to develop realistic estimates of their assets, liabilities, costs of activities to be performed, and funding and resource needs. The first step in the process is to record all unproductive assets at zero value, such that an acceptable estimate can be made of the economic resources available to the raions. The second step should be the development of a schedule showing varying combinations of service levels and the corresponding resource requirements for each combination. Then it is a matter of political choice, based on economic reality, as to what a raion chooses to provide for its constituents.

**Lack of Funding for Capital Improvements**

The budgets of local governments in Russia do not provide for capital improvements. One of the objectives of the budget restructuring project assisted by USAID was to develop a 5-year capital improvement program. Work on this task was halted early in the project because it proved to be too abstract for raion and oblast officials to accept. These officials focus on immediate problems—whether to pay the teachers or the doctors next week—not on planning to replace the hospital roof 2 years hence.

Fixed assets transferred from the enterprises to raions or oblasts are virtually always in disrepair and ill-suited to long-term service as governmental facilities. When the farm enterprise built an apartment complex, it relied on its unskilled farm workers to do carpentry, masonry, etc. The result was a poorly constructed building. Since the enterprise had no idea of the cash value of the commodities it traded to other enterprises—for instance, natural gas to heat its apartments—the cost of heating was assumed to be free. Thus, insulation and energy efficiency are unknown in Russia.

In essence, the raions have inherited a herd of white elephants. However, since there is virtually no funding for capital improvements in the raion budget, and only a small, insufficient amount in the oblast budget, the transferred assets are used in lieu of adequate capital funding for more appropriate infrastructures. Capital needs have been unfunded for so long that the local focus is on emergency repairs, and no efforts are expended on long-term capital expansion or even maintenance. In addition, deferred maintenance contributes to the cost of future municipal budget outlays (Struyk et al., 1996).
Another impediment to performance budgeting in Russia is the lack of reliable budget data. Reliable information is a scarce commodity in Russia. Coyle and Platonov (1998, p. 227) note that:

During the days of the Soviet Union, the state controlled almost everything of value in the country. One of the few valuable things the state could not control was the information individuals had about certain things. As such, private information was highly valued and not easily given up. This attitude continues today, and without a clear incentive to release information or the regulatory pressure to do so, voluntary information release does not occur.

This attitude of holding on to private information extends to financial personnel who prepare budgets at all levels of government in Russia. The budgeting of capital resources by oblasts is not usually determinable. Funds for capital improvements filter down to the raions in an arbitrary manner, if at all. Secrecy is further manifested in the budget process when budget personnel do not record all sources of funds. There is also a tendency by raion officials to project budgeted amounts based upon expectations of the oblast or federal government, as opposed to budgeting amounts based upon economic reality.

The Soviet legacy also prevents a clear understanding of the amount of money that Russian enterprises previously spent on social services. Soviet accountants buried social costs, such as money spent on staff housing and health care, in murky “special purpose” accounts (Higgins, 1998). Therefore, efforts by local Russian government officials to budget for these costs are impeded by the lack of accurate information regarding costs to provide social services.

Budgeting efforts are also hampered by an overall lack of knowledge about the process, since in the past, the state controlled all financial assets and resources. Under the Soviet system, accountants were not supposed to think for themselves, and accounting tasks were relegated to women who possessed little or no training. Today, many of these same women hold positions of responsibility at the raion or oblast level, and are charged with such tasks as preparing Performance-Based Budgets. What was once a rote exercise, consisting of putting numbers on a mandated report, even if no practical purpose was served, has become a key policy function of allocating scarce resources to an increasing variety of social sphere activities. Thus, these dedicated local government officials are faced with preparing a budget for the first time in their lives with no training or background on how to do so.

The necessity of sharing relevant information to achieve any entity’s goals is self-evident. However, changing the behavior of individuals involved in raion management requires a cultural change of immense proportions. The former Soviet system of using “norms and standards” to measure government performance was based on unrealistic quantities of inputs and bore little relationship to meaningful outputs. For instance, the system focused on ascertaining that the number of physicians per 1,000 citizens met the standard, and ignored the possibility that the doctors might be gerontologists when the critical problem was to reduce rampant childhood diseases. Further, it was widely believed that reports of norms and
standards were largely ignored at the higher levels of government, so the people who provided the data for such reports had little regard for their accuracy.

However, the foundation of performance budgeting requires accurate information about the results of public expenditures. After reliable output data is shared, budget allocations need to be based on the data. In short, information must be accurate and widely shared; then it must be related to spending decisions.

Effective information systems can help in the implementation of performance budgeting, once the cultural change is accepted. It is even possible that the use of modern information systems may be a critical factor in initiating the change from private hoarding of information to using information for the public good.

**Lack of Economic Resources**

Although some Russian oblasts have limited computer hardware and software components, most raions are lucky to have paper and pencils. Scarce resources cause raions to focus on providing only the most basic of necessities. However, often, even basic requirements are not met. For instance, drinking water often is not sanitized, because local governments cannot afford to buy chlorine (Gleason, 1998). Consequently, outbreaks of cholera (as well as other diseases) result in over-burdening a health care system that is already woefully inadequate.

Rampant inflation, coupled with the declining exchange value of the ruble against the US dollar and most other currencies, only compounds the economic problems of the raions and oblasts. The federal government provides some financial assistance to oblasts, which in turn assist raions, in paying for the cost of maintaining divested enterprises. Although the raions rely heavily on federal/oblast budget transfers, approved amounts fall far short of the amounts requested. Furthermore, only a portion of the approved amounts actually get disbursed (Struyk et al., 1996). Thus, local authorities view federal assistance as woefully lacking, since funds received are far less than the costs incurred to run social services. Many US local government officials might say that broken promises and inadequate funding from the higher levels of government is endemic in a federal structure. However, in Russia, the rules change daily; a promise of funding on Monday evaporates by Friday.

**Return to the Barter System**

The lack of liquidity in Russia’s economy makes estimating future cash flows a formidable task for raions and oblasts. Russian companies often do not have cash to pay their workers or even their own taxes. Therefore, in Russia’s underdeveloped financial system, barter deals are increasing.⁶ There are reports of Russian workers being paid with the products of their factories, such as coffins and bras, and of customers offering two eggs as payment for a movie ticket.⁷ An accounting firm with offices in Russia reports being offered trucks and oil to settle a client’s audit fee (Irvine, 1998). It is estimated that barter now accounts for about half the transactions in industry and at least 40 percent of Russia’s national tax payments.⁸ Given that a significant portion of the shrinking federal tax revenue is in the form of commodities (exchanges of goods and services) and credits,
becomes even more difficult for Moscow to transfer funds to the oblast and raions. Further, since revenues do not reflect bad debts, or disclose the portion of receivables that are likely to be satisfied by barter (Bush, 1998), it is exceedingly difficult for a governmental enterprise to estimate future cash flows.

**Chaotic Tax System**

Another major contributor to Russian local government’s economic woes is the instability of the tax system. Transformation from a central government to a federal system continues to be a delicate balancing act. If the federal system is too heavy-handed, more territories may opt for independence. If the federal system is so weak that there are no benefits to membership, states may also decide to become autonomous. A key factor in the balancing act is the perceived fairness of the tax system. For example, many experts view taxation of natural resources as a fertile revenue source. But, after several of the mineral-rich states in Russia threatened to pull out of the federation, their tax rates were cut in half, or even eliminated. This, in turn, cut the amount available for revenue sharing with agricultural and urban areas.

Local governments have to contend with unstable state tax policies, too. For example, the Saratov oblast made the difficult decision to further reduce revenue transfers to the raions in favor of maintaining an economic development and international trade initiative. Enforcement of Russian tax laws is weak, and many tax obligations go unpaid. And even when taxes are levied, local governments may allow factories to settle their tax obligations with cans of paint or other manufactured items. The previously described barter arrangements help industry evade taxes, because barter income is not readily detected; a firm’s trading activities and inventory must be thoroughly scrutinized to determine income that may be masked by barter agreements (The Economist, March 15, 1997). However, the confidence that services will continue to be provided, even if bills go unpaid, is one of the few comforts for millions of struggling Russians in an otherwise fairly dreadful life.9

**SUGGESTED SOLUTIONS**

Russia can make progress towards a market economy and an effective performance budgeting system by attracting investment, and by creating a single coherent, stable, and understandable tax system (Bush, 1998). However, Russia’s lack of a comprehensive, understandable set of accounting rules adversely affects its ability to attract foreign investors. This position is supported by Douplik and Salter (1993, p. 41), who note that in general, a “lack of uniform standards creates information barriers for the international investment community.”

**Improvement in Tax Collection System**

In Soviet times, central government revenue was derived from productive assets in the form of a “value added” tax (VAT). As those productive assets were transferred to private ownership, and the non-productive assets were transferred to local governments, the old
revenue source disappeared, while governmental spending responsibilities increased, and attempts to legislate a federal tax collection and distribution system lagged.

The local tax system faces the greatest challenges. Like the US system, raions will rely upon property taxes for the majority of their revenue. However, valuation of real property is a nascent art in Russia, and the property sales market is too artificial and volatile to support stable values. In the absence of their own dedicated, predictable revenue source, local governments will be forced to continue to depend on highly variable federal and oblast support.

Accordingly, improving the tax collection system in Russia is one way to increase the resources available to a raion for meeting its obligations. Tax collection in Russia is currently a problematic process. The tax laws are ignored or flouted by an overwhelming number of businesses and individuals. To remedy this situation, some governmental entities in Russia are trying new ideas for improving the tax collection process and increasing the amount of tax collected (Kudrin, 1997). Some possible solutions include:

- Increases in corporate tax rates
- Increases in maintenance tax rates for housing and social/cultural facilities
- Revaluation of real property
- Better tax reporting and collection operations
- Increased efforts to levy and collect local taxes, to reduce the vulnerability to unfavorable resource allocations at the federal and oblast levels.

**Adoption of International Accounting Standards**

Companies are reluctant to invest in Russian enterprises, partly because of the chaotic methods used to maintain records and accounts. Therefore, Russian companies would be more likely to gain access to capital markets if the financial information provided by the companies is credible and understandable. The International Monetary Fund (IMF) is already demanding that Russia’s natural-gas, oil-pipeline, electricity, and railway monopolies all start submitting IAS financial accounts. Accordingly, it is important for Russia to adopt the International Accounting Standards (IAS), since there is little or no expertise in Russia for setting their own accounting standards. Several former Soviet Union countries, including Moldova and Kazakhstan, have adopted IAS as their national accounting standards (Pacter, 1998).

Although President Yeltsin signed a decree in 1997 ordering Russian companies to adopt international accounting standards, the Russian government recently issued a resolution to introduce new domestic accounting standards, which are to conform with international accounting standards (Hunt, 1998), thus indicating that IAS were not, in fact, implemented by Yeltsin’s decree. Despite the fact that the USAID is providing $1 million to partially fund a new International Center for Accounting Reform in Russia (Higgins, 1998), mandates, decrees, and resolutions do not get the job done. Russian accountants need to be educated regarding the IAS, and embrace their concepts in order for adoption of the standards to occur.

Adopting IAS, while quick and efficient, may have monumental implementation problems for Russian accountants. These problems include lack of trained accounting
personnel and lack of efficient information processing systems. Not only are effective and efficient accounting systems a prerequisite for economic development and optimal resource allocation, they would also help Russian companies gain access to foreign capital markets. The Russian federal government and raions should seek funds from international aid organizations like the World Bank, the IMF, the International Bank for Reconstruction and Development (IBRD), and the European Bank for Reconstruction and Development (EBRD) to acquire information processing systems, and to train personnel. Raion officials can also be trained by creative partnerships with Western universities, accounting organizations, philanthropic organizations, and business entities. These partnerships can enable accounting practitioners and academics to travel to Russia to improve the expertise of raion accounting and management officials, or for the latter to travel abroad to obtain accounting and information processing systems skills. However, perhaps the greatest drawback to adopting IAS may be an incompatibility, or lack of congruence between goals of the raion and those that IAS aim to accomplish.

CONCLUSION

The transfer of certain enterprise assets and functions to Russian raions has imposed a substantial financial burden (Struyk et al., 1996). Lack of accounting principles and procedures, as well as the absence of requisite knowledge, contributes to poor planning for social services by local government officials. The barter system, which is prevalent in Russia, only exacerbates the host of problems facing Russian raions and oblasts. Taxes either go unpaid, or are paid in goods that are of little or no use to local governments. The persistence of these difficulties results in budget deficits at the local level. In addition, inadequate funding for such items as housing maintenance and public transportation presents obstacles to future economic development, further increasing the instability of the tax base (Kudrin, 1997).

The transformation from communism to perestroika has had a significant, negative impact on the financial capabilities of local governmental units. Consequently, saddled with inadequate funding, local governments in Russia face the difficult task of prioritizing the allocation of scarce resources to social services, which are already woefully inadequate. In sum, the existence of a multitude of financial and management problems in Russia makes the development of a meaningful Performance Budget at the raion level a nearly impossible task.

Acknowledgments: The authors are grateful for the helpful comments and suggestions received from the editor, Andrew D. Bailey, Jr., two anonymous reviewers, participants in the American Accounting Association’s 1999 International Accounting Section Midyear Meeting, and Research Assistant CariAnne Lis on earlier drafts of this article.

NOTES

1. The Russian Federation is divided into approximately 71 sub-units, known as kraals or oblasts, which are similar in function to US states. A raion, which is subordinate to an oblast, is
generally equivalent to a US city. In rural areas, however, raions provide services akin to both
municipal and county functions in the US.

2. The second author worked on a United States Agency for International Development (USAID)
project to assist the Lysogorski raion (city), a local government unit in the Saratov oblast (state)
of the Russian Federation, in developing a Performance Budget Plan for 1998. The opinions
expressed in this article are those of the authors, not those of the USAID, the Saratov oblast, or
the Lysogorski raion.

3. Performance budgeting is a budgeting philosophy, which allocates resources based on expected
outcomes, instead of simply funding planned inputs. For example, a school system using
performance budgeting might allocate funds to achieve the goal of having 90 percent of their
students eligible for college, as opposed to budgeting for the cost of 20 teachers.

4. Determining whether net book values obtained using estimated useful lives of 30 years is more
accurate than using estimated useful lives of 100 years depends on the actual useful lives of the
related assets. Accordingly, whether 30 years or 100 years or some other number is an accurate
estimate of the useful lives of Russian fixed assets is an empirical question beyond the scope of
this article.

5. Theoretically, negative valuations should also be used, to provide an accurate estimate of
activities and resource needs.

6. A barter arrangement is an exchange of goods or services, or a settlement of an obligation,
without the use of money as either a means of payment or a unit of account.


8. “Russia’s Cash Woes Turning Many to Barter System,” The Pantagraph [Daily Newspaper of


10. However, it should be noted that if Russian companies want to sell their securities in US
markets, such companies must either use US GAAP or reconcile their financial statements to
US GAAP.

REFERENCES


tional Initiatives Between Universities: The Challenges of Analyzing Russian Financial State-

tion of Financial Reporting Practices.” Journal of International Business Studies, 24(First
Quarter): 41–60.


Higgins, A. 1998. “At Russian Companies, Hard Numbers Often are Hard to Come by.” The Wall

9(July/August): 62–63.


