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The cover features a large, light green curved shape on the left side. A dark teal vertical bar is on the far left. A large green square is on the right. A thin grey line runs diagonally from the bottom left to the top right, with a small teal circle at the bottom left and a larger teal circle at the top right. There are two clusters of small teal diamonds: one in the top right and one in the bottom left. A series of five parallel diagonal lines is on the right side of the green square. Another series of five parallel diagonal lines is at the bottom right of the cover.

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Prospects for Scientific and Innovative Interaction Between China and Kazakhstan Within the Belt and Road Initiative

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Abstract

The dynamic economic growth of China, the expansion of trade, the huge demographic potential, the development of innovations and the introduction of new technologies have attracted the attention of politicians and researchers from around the world. A new level of economic integration between Kazakhstan and China requires enhanced cooperation in not only the political, trade, financial sectors, but also, which is no less important, in the field of education and innovation. This is due to the fact that not only politicians, businessmen, but also ordinary people will join the system of relations in the process of economic integration of the two countries, with their help joint production and joint products will be created. Implementation of the Belt and Road initiative raises new challenges for Kazakhstan and China's cultural and educational spheres. The goal of the research is to examine the prospects of cooperation and innovation in the field of education within the context of the Belt and Road initiative, identify the main areas of educational cooperation and identify

key areas of cooperation between Kazakhstan and China. This article contributes to the sense of the Belt and Road initiative to improve the theory and practice of international cooperation between China and Kazakhstan in the field of education and innovation.

The economic and political interaction between Kazakhstan and China is well studied in world Chinese studies, while cooperation in the field of education still requires research and systematization since this area makes a great contribution to the promotion of China's interests, values and the development of Chinese influence in the region. Thus, this article is intended to fill the gap in this area. This article contributes to the sense of the Belt and Road initiative to improve the theory and practice of international cooperation between China and Kazakhstan in the field of education.

Key words: cooperation, education, Belt and road initiative, Kazakhstan, China.

Introduction

The dynamic economic growth of China, the expansion of trade, the huge demographic potential, the development of innovations and the introduction of new technologies have attracted the attention of politicians and researchers from around the world.

The Belt and Road Initiative, launched by the President of PRC Xi Jinping in the first year after taking office on September 7, 2013, at Nazarbayev University, has attracted widespread attention both in China and in other countries include. In a speech entitled “Promote friendship between our peoples and work together to build a bright future”, he announced plans for China to create an economic belt to connect the Chinese market with Central Asia, the Middle East, and Europe (Ma Feng, 2019). The Belt and Road strategic initiative is closely linked to China’s geographic location and history. From the economic development point of view and the growth of expansion of regional economic cooperation, this is the main motive for China's policy about all regions, in particular about its neighbors.

The Belt and Road initiative, according to the Chinese Government, has the same objectives as the Chinese Dream:

- ◁ Promoting comprehensive and sustainable security in Asia through mutually beneficial cooperation, peaceful settlement of disputes, and partnership growth, harmonious ties among countries.
- ◁ Introduction of cultural exchanges between countries, leading to the joint development of different civilizations. Cooperation and innovation in the field of education are an integral part of the cultural exchange between Kazakhstan and China.

A new level of economic integration between Kazakhstan and China requires enhanced cooperation not only in the political, trade, financial sectors, but also, which is no less important, in the field of education and innovation. This is due to the fact that not only politicians, businessmen, but also ordinary people will join the system of relations in the process of economic integration of the two countries, with their help joint production and joint products will be created.

Implementation of the Belt and Road initiative raises new challenges for Kazakhstan and China's cultural and educational spheres.

This means that economic integration at a new level will require the cultural and educational integration of the two countries. First of all, it is about solving problems related to intercultural communication between the two peoples. This communication should be based on the equality of the cultures included in the communication. Thus, in the framework of international cooperation, a lot of work is done in the field of education. The goal of the research is to examine the prospects of cooperation in the field of education within the context of the Belt and Road initiative, identify the main areas of educational cooperation and identify key areas of cooperation between Kazakhstan and China.

Methodology of Research

A systematic approach is defined as a methodological basis for the study, which allows exploring the integral properties of an object, its structure, and dynamics. Thus, cooperation in the field of education between China and Kazakhstan is studied as a system of interrelated areas that determine the degree of external cultural and educational interaction between the two countries. For a more detailed study of the problem, general scientific

and special methods of historical research were employed. Among the general scientific methods, the following were applied: analysis and synthesis, with which the relationship between China and Kazakhstan was scientifically studied in the context of the topic and research issue.

Discussions and Results

There is an increasing interest in Chinese education among young people of Kazakhstan. Many young people study Chinese in order to study in China. Several Kazakhstani universities have partnerships with Chinese universities, in the framework of which students from Kazakhstan are trained. Considering statistics, over the past ten years, more and more students from Central Asia from Kazakhstan, receive education in China. According to researchers, the reason for this trend is the low quality of domestic higher and secondary education, as well as the high cost of education (Sadovskaya Y., 2013). Also, an important factor in this matter is the impressive economic development of China, which many define as a “Chinese miracle”, contributing to the spread of the Chinese language throughout the world. A valuable tool for this proliferation is the Confucius institutions scattered around the world today. Through this, the Chinese language is becoming one of the world languages in the modern world and an important mean of global intercultural communication.

Chinese language is becoming increasingly popular among young people and other parts of the population along with English, and educational grants from the PRC government and Confucius Institutes also contribute to this. Thus, the Chinese language is becoming not only a means of obtaining education, but also helps in improving the professional level of specialists who are associated with the Chinese economy or other areas of

China's activities. By learning the Chinese language, Kazakhstan people today are much better acquainted with China, people and culture.

Before moving on to the analysis of cooperation in the field of education between Kazakhstan and China within Belt and Road initiative, it is useful to focus briefly on the characteristics of the education system that currently exists in China.

Education in China has always been of great importance. The Institute of Education is traditionally perceived in Chinese society as one of the highest values, which is why it is not surprising that education was one of the key factors that ensured the existence of the Chinese “economic miracle”. Through the implementation of a long-term state program, the Chinese education system is currently one of the leading and most prestigious in the world.

This fact is determined by the following indicators:

Quantitative. Currently, in the PRC there are about a million educational institutions of various levels and profiles, in which more than 200 million people are studying (Baytemirov N.A., 2017).

An integrated approach to higher education. There are nine basic universities in the PRC, which are not only educational institutions, but also the largest research centers, each of which implements a certain specialization and cooperates with major companies. Thus, the necessary connection is achieved between education, science, and industrial activity, which, in turn, allows us to realize the key request of post-industrial development, which consists of turning science into the main productive force of society. The result of this approach is the high place of the PRC

among the world economies - leaders in the creation and implementation of various nanotechnological industries.

Performance indicators of higher education institutions. Over the past 20 years alone, 20 thousand Doctors of Sciences have received degrees in the country. Currently, 160 thousand postgraduate students are preparing doctoral thesis (Baytemirov N.A., 2017).

The implemented system of job placement for high school graduates including foreign citizens.

Thus, the perception of the development experience of the Chinese education system is essential for building an effective economy. Countries participating in integration projects implemented as part of the Belt and Road Initiative are given that opportunity.

It should be noted that for the economy of the Republic of Kazakhstan, improving the educational system based on progressive standards of the PRC is of great importance, considering its negative characteristics. Among them, firstly, an objective reduction in the quality of the provision of education services due to the collapse of the USSR and the socio-economic structural crisis, Secondly, a major weakening of the link between the higher education system and applied science and development, and thirdly, the lack of the requisite teaching materials for the organization of the educational process relating to the study of advanced technologies characteristic of post-industrial economies.

China's position in the 21st-century international education market is better than Kazakhstan's, so cooperation is promising and important for Kazakhstan. 2003 represented a significant milestone in coordinating and sustaining bilateral cooperation in the field of education. On 3 June 2003,

a specific regulatory act was signed in Astana between the Ministry of Education and Science of the Republic of Kazakhstan and the Ministry of Education of the People's Republic of China, which sets out the strategic basis for bilateral cooperation in the field of education-the Education Cooperation Agreement. The signing of this document laid the foundation for the legal consolidation of cooperation in some areas (https://online.zakon.kz/Document/?doc_id=1039389). From 2003 to 2005, in order to increase the output of joint scientific research and to extend the exchange between the two countries in the field of education, this agreement identified the main areas of cooperation, including the exchange of information on the education system and reforms, the guidance of students from both countries on different exchange programmes, mutual cooperation in the study and propagation of the official languages of both nations. This resolution marked the beginning of an agreement on the mutual recognition of educational documents.

At the current stage, relations between Kazakhstan and China have reached a high level. The legal framework of modern Kazakh-Chinese cooperation in the field of education is developing and improving. Since the early 2000s, the leadership of the two countries has been striving to improve and establish areas of cooperation in education such as student exchanges, as well as support for language study and dissemination

Kazakhstan's students are characterized by their high mobility in the world's academic circles, in which over thirty thousand young Kazakhstanis study abroad each year, and China, in effect, at this stage of development is one of the most popular destination for getting the education.

Unfortunately, there is no official statistics on the number of studying Kazakhstanis in China. According to the Kazakh ambassador, there were

about 11, 2 thousand Kazakh students in Chinese universities in 2014 in China (Interview of the Ambassador of the Republic of Kazakhstan, 2014). About 700 Kazakhstani students have obtained diplomas from Chinese universities in 2013, he says. Among young Kazakhstanis, the most famous universities are in Beijing, Shanghai, and Urumqi. Students go to the PRC both through the state line, under the presidential program "Bolashak" to improve the education level of specialists in the republic and at their own expense (<https://www.gov.kz/memleket/entities/mfa-beijing/activities/2111?lang=ru>). Most of them study Chinese language and related areas. Humanities are primarily in demand, as well as those related to the oil and gas industry and information technology. (Mukankyzyi M., 2014). In China, there are even several Kazakhstani student associations that bring together university students in 9 Chinese cities. Every year, the attractiveness of China to young Kazakhstanis is growing. This is explained primarily by the accessibility (Chinese universities teach foreigners with any degree of initial training), the relative cheapness of training (as compared to the US and Europe), the good quality of education in PRC (especially in the natural, technical sciences and, of course, in the Chinese language), as well as relative safety and geographical proximity.

Based on data from various Chinese and domestic information sources, it is apparent that, relative to universities in the United States or the Russian Federation, there has been a significant increase in Kazakh youth's preferences to join universities in the PRC in recent years. And this applies both to school education, colleges and universities. There are many reasons that arouse the interest of Kazakhstan graduates in this area. The activity of China in the Kazakhstani education market is simply amazing. China, where only 2% of the adult population have higher education, positions education in their country as affordable, sometimes even free

and most importantly corresponding to the highest world ratings (Foreign students learn Russian in Kazakhstan, 2014). Many scholarships are offered as well. Announced the possibility of admission without mandatory passing entrance exams as in Kazakhstan. Various discounts for accommodation and the possibility of receiving scholarships from the PRC Government are advertised.

Kazakhstan is also a relatively popular country among Chinese students, as Chinese university entrance exams at state universities in China are quite difficult, so Chinese students are trying to find options abroad, and Kazakhstan is one of them. Chinese students come to Kazakhstan mainly for learning the Russian language, as the Russian language is in high demand in the field of commerce, and the cost of training is lower than in Russia's big cities (1300 Chinese students study in Kazakhstan, 2017).

In Kazakhstan, the spread of the Chinese language is many times faster than Kazakh language in China. That depends on a lot of factors. The Chinese language is becoming increasingly popular in the world. China is gaining momentum, both economically and politically. The picture of a thriving Chinese society is gaining ground. China, with its rich history and far-reaching opportunities, is very attractive to Kazakhstanis, ranging from training to employment, so young Kazakhstanis play an important role in popularizing the language, as Chinese language literacy significantly increases labor market competitiveness (Guanmin Zhibao6 2013).

Naturally, a huge number of theoretical and practical issues arise during the implementation of the Belt and Road initiative, which must be addressed in the first place. In author's opinion, these issues include, firstly, the construction of roads and the creation of infrastructure to ensure the normal operation of the Belt and Road initiative, secondly, the

provision of this transport artery with a network of road maintenance and repair, the construction of gas stations and repair stations for servicing vehicles passing along this highway, thirdly, the construction of numerous hotels for recreation and maintenance of drivers, passengers and tourists, fourthly, information support for the participants of Belt and road, fifthly, building a competent logistic connection of huge trade flows, sixth, medical and legal services.

All these issues in the context of the above tasks need scientific understanding and study and, accordingly, the development of scientifically based proposals and recommendations for resolving these issues. In our opinion, for representatives of university science and education, the issues of training the human resources and information support of the Belt and Road initiative are primarily important. There is no doubt that the implementation and maintenance of this initiative will require highly qualified specialists in both traditional and new fields, specialists in a new formation and competencies who are able to work and think at the level of requirements of this modern and large-scale initiative. Therefore, these tasks require coordination of efforts and resources of educational institutions to service this transport highway. We propose the bilateral cooperation between universities located on the Great Silk Road. For example, for institutions that train language specialists, it is primarily important to prepare all kinds of reference books and dictionaries on economics, trade, law, tourism, the service sector, customs and tax laws, guides, atlases, and encyclopedias. It is also quite obvious that the implementation of the Chinese initiative will require coordination of the activities of educational institutions of the countries along the Silk Road, scientifically, human resources, information and other support for this

great initiative, affecting the fate of the peoples living in this transport corridor.

It is obvious that the Belt and road initiative will generate demand for research, primarily, for example, for the development of national logistics systems, which will significantly reduce intercontinental transport costs associated with the movement of resources. In addition, an infrastructure of ongoing consultations at the level of experts, scientists, corporate and public administration will have to be created during the implementation of the Belt and Road Initiative, ensuring the development and maintenance of mutual understanding and creating an institutional basis for close cooperation between countries.

In our opinion, the provision of educational, scientific and information services in terms of providing this transport artery with the necessary scientific recommendations and expert opinions is very important for universities and research centers of countries involved in the Chinese Belt and road initiative. For this, it is primarily important for educational institutions, scientists, expert communities, within the framework of mutually beneficial cooperation, to coordinate and synchronize the training system, unite efforts to develop scientific problems to ensure the efficient operation of this transport highway, and give the scientific communities of these countries scientifically based expert opinions on the implementation of Belt and road initiative. Thus, the Belt and road initiative creates a great demand for science and education.

Previously Belt and Road initiative was considered as transport network for the economic development of the Silk Road countries, now the initiative is building up its humanitarian potential and the creation of a digital Silk Road. China is also experiencing the need for human resources in these

areas. So, in mid-April 2017, a 10-year youth development plan for 2016-2025 was published in China, according to which millions of graduates of the PRC high school will be engaged in the development of new strategic sectors of Chinese industry. The latest revision of the list of these industries was published by the Chinese government in February 2017. In the first place - information technology, then - the production of high-tech equipment, new materials, biotechnology, new energy vehicles, new and renewable energy, energy-saving and environmentally friendly technologies, digital innovations (xinhuanet.com, 2017).

Conclusions

Significant progress in cooperation in the field of education was achieved between Kazakhstan and China. Fundamental international normative statutory actions have been concluded in the field of educational cooperation a system for student exchange was established and developed; a number of students are growing steadily. The research we conducted has shown that although bilateral relations between countries in the field of education are growing, Kazakhstan is losing China in this area with its modern education and language programmes.

During the implementation of the Chinese Belt and Road initiative, a huge number of theoretical and practical issues naturally arise that need to be addressed first. In our opinion, such issues include, firstly, the construction of roads and the creation of infrastructure to ensure the normal operation of the Belt and Road initiative, secondly, the provision of this transport artery with a network of road maintenance and repair, construction of gas stations and repair stations for servicing vehicles passing along this highway, thirdly, the construction of numerous hotels for the recreation and maintenance of drivers, passengers and tourists, fourthly, information

support for Belt and Road initiative participants, fifth, the logistics of building a competent communication huge trade flows, sixth, medical and legal services. All these issues in the context of the above tasks need scientific understanding and study and, accordingly, the development of scientifically based proposals and recommendations for resolving these issues.

For representatives of science and education field, the issues of training human resources and information support for the Belt and Road initiative are primarily important. There is no doubt that the implementation and maintenance of this initiative will require highly qualified specialists in both traditional and new fields, specialists in a new formation and competencies who are able to work and think at the level of requirements of this modern and large-scale Belt and Road initiative. Therefore, these tasks require coordination of efforts and resources of educational institutions to service this transport highway.

One of the main issues is the harmonization of Western and Eastern education systems, the synthesis of Eurasia's educational spaces. The following problems were identified during the course of study: the need to coordinate educational standards, the potential of joint scientific publications by scientists from China and Kazakhstan, which is still extremely poorly used.

Thus, the Belt and Road initiative creates a great demand for science and education. Whereas previously, Belt and Road initiative was considered a transport network for the economic development of the countries of the Silk Road, now the initiative is building up its humanitarian potential and creating a digital Silk Road. Therefore, Kazakhstan and China universities

are faced with new challenges, to overcome which it will be necessary to pay special attention to the ways of innovation in the internationalization of education in training personnel in the new conditions for the implementation of the initiative and for the future for the further implementation and development of the initiative, universities will need to prepare specialists of a new formation with different competencies.

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Market Efficiency of Listed Companies: Kazakhstani Case of Investment in the Public Limited Company vs Deposit in the Second-Tier Bank

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Abstract

The paper examines the attractiveness of two different investment alternatives for individual investors. It involves purchase of KAZ Minerals PLC shares versus placement of investor's funds in second-tier bank's (Kaspi Bank JSC) deposit in the Republic of Kazakhstan.

KAZ Minerals PLC (hereinafter the "KAZ Minerals") takes origin from 1930 and as for now it is leading international company for extraction and processing of natural resources. KAZ Minerals is the biggest Kazakhstani company that produces copper in Kazakhstan and one of the biggest producers in the world. KAZ Minerals is making business in Kazakhstan and it is registered in London and Hong Kong Stock Exchanges.

The second-tier bank, which time deposits will be considered for investment as an alternative to investment in the shares of KAZ Minerals is JSC Kaspi Bank. JSC Kaspi Bank (hereinafter "Kaspi Bank") started its operations in 1991, and today it is the one of the market leaders in

provision of banking services and other financial products to large and medium-sized corporations, as well as individual clients, in all sectors of Kazakhstani economy. The choice of the bank is based on results of third quarter of 2019, which showed that Kaspi Bank is not merely one of the largest private banks in CIS, but also has a leadership position as a lender in Kazakhstan by total assets. One more reason for comparing the deposits of this particular bank to the investment in stocks of KAZ Minerals is the low risk level, as the bank's management emphasizes the importance of asset quality and liquidity management, as well as maintenance of high operating efficiency.

Thus, the paper compares the attractiveness of investment in the stocks of KAZ Minerals PLC versus investment of money in deposit of Kaspi Bank JSC in terms of their profitability and risk level.

Key words: analysis of market performance, investment, banks, joint stock company, deposit, comparison, finance, market.

Introduction

The scope of the study covers mainly the estimation of profitability (rate of return) and risk level of two investment alternatives. The interest rate of bank's deposits is already known; hence the research focuses on assessing the riskiness of deposits and adjustment of return on investment for the level of inflation. All necessary information is retrieved from financial reports placed on official website of the company, Kazakhstan Stock Exchange and website of National Bank of Kazakhstan.

For evaluation of second investment alternative (purchasing shares of KAZ Minerals), Capital asset pricing model (CAPM) and estimations of beta and standard deviation are applied. All information for assessing financial performance of KAZ Minerals is obtained from financial statements given on KASE and data provided on website of the company. Moreover, the data for estimation of such variables as beta and market risk premium and figure of risk free rate was obtained from yahoofinance.com, KASE and National Bank (NBRK) website.

Literature Review

The issue of alternative investments in shares of the companies versus savings accounts in banks is widely discussed in today's financial world. Actually, any ordinary investor knows that return on firm's shares, especially successful one, usually is greater than return on the money placed on bank's deposit. However, still majority of Kazakhstani individuals prefer to open savings account, rather than analyze performance of stock market and purchase shares of the companies. One of the reasons can be the level of risk aversion of people. To explain, the higher the expected return on the investment, the higher is the level of risk as risk and return

variables always move together. Hence, many individuals, who prefer lower level of risk for a given level of return, will put money on savings accounts (Bodie, Kane & Marcus, 2018).

However, with regard to Asyl-Invest, the major barrier for people to participate in stock operations is low financial literacy. According to the results of the survey conducted by Kazakhstan Institute of Political Solutions in 2018, many respondents said that they consider investing in stocks of company only if government is going to provide some kind of assurance for their investment (Central Asia Online, 2018). Our research examined the performance of KAZ Minerals and trends in customer accounts development in Kaspi Bank during the last 5 years.

KAZ Minerals PLC

KAZ Minerals PLC is considered to be the largest copper producer in Kazakhstan and one of the leading copper producers all over the world. The shares of the company are traded in London stock exchange, Hong Kong and Almaty. Due to fully integrated company's operations, KAZ Minerals is not merely highly profitable company, but also one of the copper producers, which has the lowest costs and flexibility to serve many different customers. As the copper is one of the key metals, which can be found in every new apartment or office block, vehicle and electrical appliance, the demand for it is not falling, meaning the stable supply for the corporation.

KAZ Minerals operates 16 underground and open pit mines across Kazakhstan. In 2019, company mined 37.5 million tonnes of copper ore and processed it in 10 concentrators. Company also operates three coal-fired

plants and heating plants that generate the necessary level of power for copper production and market excess capacity for commercial aims. KAZ Minerals is also the largest domestic power provider in Kazakhstan with 20% of market share. In addition to corporation's 3 captive power plants, company owns 50% of the country's largest power station, Ekibastuz GRES-1, which produced around 14,368 GWh of power in 2019, 13% above the previous year.

Analysis of company' performance. According to the information provided on Kazakhstan Stock Exchange, KAZ Minerals shareholders are represented by following entities:

- ◁ Cuprum Holding Limited – 135 944 325 shares, 25.39%
- ◁ Fund of National Welfare “Samruk-Kazyna” JSC – 58 876 793 shares, 11%
- ◁ Harper Finance Limited – 29 706 901 shares, 5.55%
- ◁ Committee of State Property and Privatization, Ministry of Finance of the Republic of Kazakhstan – 80 286 050 shares, 15%
- ◁ General public – 230 603 892 shares, 43.06%

Total number of stated shares equals to 750 000 000, out of them 535 417 961 shares are outstanding. More than 43% of KAZ Minerals shares are in hands of the public, it means that there is interest from the general public toward investment in equity of the company. Some portion of people prefers investment in stocks which is more risky in comparison with placement of deposits in second-tier banks.

Moreover, even though the key financial indicators, which are illustrated below, show that company's earnings are fluctuating indicating the riskiness of investment in company's shares, still 29 polled investment

analysts examining the KAZ Minerals PLC advise to investors to hold their position in the corporation. To be more precise, according to the analysts' forecasts company is going to outperform the market in the nearest future (Financial Times, 2018).

Table 1. Alternative performance measures of Kaz Mineral PLC

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------|-------|-------|-------|-------|-------|
| EBITDA (\$m) | 2,336 | 2,056 | 1,634 | 2,835 | 2,925 | 1,912 |
| EPS (\$) | 3,02 | 2,27 | 1,13 | 2,79 | 2,80 | 0., |
| Free Cash Flow (\$m) | 895 | 715 | 579 | 718 | 824 | 85 |
| Cash Cost of Copper (US cents/lb)* | 33 | 116 | 72 | 89 | 114 | 174 |
| Maintenance spend per tonne of copper (\$/t) | 672 | 1,038 | 644 | 1,075 | 1,237 | 2,065 |

Furthermore, local analysts of Asyl Invest give the advice for investors on shares of KAZ Minerals PLC to buy and hold securities of this company due to strong operating results and prospects for a recovery in demand for copper from China and KazMunaiGas. Analysts also draw the attention of investors on the strong characteristics of the issuer in terms of its efficiency, profitability and balance sheet indicators and lagging stock price indicators of the company from the overall market (Prodengi.kz, 2018).

In accordance with analysis of related literature, investment in shares of KAZ Minerals has following pros and cons respectively:

◁ KAZ Minerals is engaged in the cyclical business, consequently, its revenue and earnings are heavily influenced by aggregate business activity. In terms of stocks, this company has high beta and its rate of return has greater changes than the overall market rate of return. This is

negative side of the industry, it adds risk, but at the same time return increases.

◁ KAZ Minerals has differentiation competitive strategy which is explained by the fact that company is unique in the industry, that's why it is extremely important for the buyers of their product. This factor contributes to high revenues. There is also influence of the cyclical business, but nevertheless this factor may positively affect the dividend policy in the future.

Customer accounts in Kaspi Bank JSC

Kaspi Bank JSC is one of the largest banks in Kazakhstan and Central Asia. It was founded in January 1991 as Al-Baraka Kazakhstan Bank and was re-established as Kaspi Bank in November 2008, Kaspi Bank was planning an IPO in GDR on the London Stock Exchange in 2019 in a deal totaling \$5 billion. Today, Kaspi Bank is one of the leaders in Kazakhstani banking sector with total assets of KZT 2,026.807 billion as of 01 October 2019 (Financial report of Kaspi bank, 2019) The Bank's shares are listed on the Kazakhstan Stock Exchange.

As the paper focuses mainly on individual investors, retail banking performance results are examined and presented below:

◁ *Retail banking*

In accordance with latest financial reports of Kaspi Bank, individual customers' deposits grew 37.8% to KZT 451.4 billion at 31 December 2015 from KZT 327.6 billion as at 31 December 2016 and 4% or KZT22.6 billion at 31 December, 2018. Since the beginning of 2012, the share of retail deposits in the total customer accounts increased to 40.8% vs 38.9% as at the end of 2018 (Consolidated financial statements of Kaspi Bank, 2019).

So, the results show that number of people saving money in the bank is increasing despite of the low rates of return. Hence, the next sections of the research paper focuses on analysis of profitability and risks of two investment alternatives, and try to reveal whether people are going the right way by putting money in savings accounts and not purchasing the shares of the KAZ Minerals PLC.

Methodology

Valuation of return and risk level of KAZ Minerals PLC stock

At the start, in order to measure the profitability of investment in KAZ Minerals share, data is obtained from finance.yahoo.com regarding the historical prices of company's stock over the period from January 1, 2015 to December 31, 2019 on a monthly basis for application of CAPM model.

Capital Asset Pricing Model. One of the models that can be used to project the expected return from a common stock, or any type of asset, is the capital asset pricing model or CAPM. In general, the capital asset pricing model describes the relationship between the risk of a particular asset or stock, its market price, and the expected return to the investor.

Capital Asset Pricing Model (CAPM) is the most widely known and used model to estimate the expected rate of return on stocks, or any type of asset. Basically, it depicts the relationship between the risk of specific stock, market price and expected return to the investor.

$$\text{CAPM: } E(R) = R_f + \beta (R_m - R_f)$$

Hence, it clear that the CAPM is based on following key variables:

- ◁ R_f -the risk-free rate of an investment
- ◁ R_m - the overall stock market risk

◁ B - the stock's beta

The main idea of CAPM is that investors need to be compensated in two ways: time value of money and risk level (Fama & French, 2004). In the formula of CAPM, the time value of money is represented by the risk-free (R_f) rate, which compensates the investors for investing money in any investment alternative over a period of time. The risk-free return is consists of a real return component and an inflation premium. The real return is the basic investment compensation that investors demand for forgoing current consumption (Farrell, 1985). One more factor, on which CAPM is based is risk premium ($R_m - R_f$), which is constituted of such elements as made up of the following elements-interest rate risk, purchasing power risk, business risk and financial risk (Peavler, 2018). Finally, stock's beta, which is a measure of systematic risk, is highly important for applying CAPM.

Risk free rate is a rate of return on government securities, hence, this data is available and is obtained from www.Bloomberg.com (0.69 % as on 24thth April, 2013 for 5-year UK Government bond). Beta of the KAZ Minerals stock and return on market (FTSE 100) were estimated using www.finance.yahoo.com.

Then, research focuses on calculation of standalone risk of KAZ Minerals stock, which is represented by its standard deviation. Using the information regarding historical prices of the stock, the expected return on the stock $E(R)$ is estimated, which is the mean of all prices over the period of January1, 2016 and December 31, 2019. After that the standard deviation for the stock is calculated by the following formula:

$$s = \sqrt{\frac{\sum (x - \bar{x})^2}{n - 1}}$$

Estimation of return and risk of money placed on deposit

For the investment in deposit of Kaspi Bank, the risk is estimated as the standard deviation of the returns for the period of 2015 to 2019. Necessary data is retrieved from the official website of the bank and financial reports provided on the Kazakhstan Stock Exchange.

Moreover, the risk of money placed on deposit involves the level of creditworthiness of the bank itself, that is the ability of financial institution to repay investor's money back. Hence, the analysis of financial statements is applied, which is helpful in determining the extent to which the bank is reliable borrower. Financial statements analysis part of this project focuses on estimation of the following types of ratios:

◁ Profitability ratios assess the ability of a company to generate an adequate level of earnings and cash flows relative to the amount of money invested (Peavler, 2018). These ratios assist to measure how efficiently Kaspi Bank uses its assets and how effectively it manages its operations. By virtue of this reason, return on assets (ROA) and return on equity (ROE), using the DuPont approach, are estimated.

◁ Another category of financial ratios calculated are called Liquidity ratios. This type of ratios shows the ability of the firm to repay its short-term obligations as they are due. Owing to the fact that customers' accounts or deposits can be placed for a short term period, it is useful to assess the extent to which bank is ready to meet its obligations. So,

measures of bank's liquidity are represented in this paper by working capital and acid-test ratios.

◁ Finally, Financial leverage or debt ratios are assessed to reveal the extent to which bank relies on the use of debt rather than equity financing. This type of ratios measure the ability of the business to meet its long term debt obligations involving interest payments on debt, principal amount and all other fixed obligations [9, p.32]. Current paper concentrates on evaluation of debt to equity and interest coverage ratio.

Findings and Analysis

Estimation of return and risk on KAZ Minerals PLC

The research starts with estimation of beta and return on market using the information obtained from [finace.yahoo.com](http://finance.yahoo.com), which involves historical prices of KAZ Minerals stock and FTSE 100 Index (as KAZ Minerals PLC stock is listed on FTSE).

Hence, with respect to this data (using the Excel sheet), the figures of standard deviation, variance and covariance are estimated:

Variance (σ^2 of stock)= 0,033= 3.3%

Standard deviation of KAZ Minerals stock= $\sqrt{0,033} = 0,182 = 18.2\%$ - which represents unsystematic risk of the stock.

Variance of market return= 0,0023

Formula for covariance is the subsequent:

$$\text{Cov}(X, Y) = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{n - 1}$$

So, in accordance with calculations, covariance between return on KAZ Minerals stock and market's return is equal to 0,0062.

Consequently, beta of the stock is calculated using the formula below:

$$\beta_i = \frac{Cov(R_i, R_m)}{Var(R_m)}$$

where,

Cov (R_i , R_m)- covariance between returns on KAZ Minerals stock and on market

Var (R_m)- variance of market return

$$\beta = 0,006 / 0,002 = 2,7$$

For calculation of Return on market the data is retrieved from finance.yahoo.com and is illustrated in Table 2 (attached in Appendix). So, Return on market is estimated as an arithmetic mean of market returns, and is estimated to be subsequent:

$$R_m = 5\%$$

Therefore, the required return on equity according to CAPM is calculated as follows:

$$R = 0.69\% + 2,7(5\% - 0.69\%) = 12,33\%$$

So, with regard to the estimated figures, it is clear that the stock of KAZ Minerals bears significant risk for the investor as its standard deviation is 18.2%, while required return by the investor is calculated to be lower, 12,33%. Basically, high beta of 2.7 can serve as a strong evidence of high riskiness of the company's stock relative to the market.

Moreover, although KAZ Minerals PLC stock was one of the worst performers in the FTSE 100 Index over the last year, still with regard to the Bloomberg data, company also has the potential for the biggest returns in the coming year based on the difference between their current share price

and the average 12- month price target of analysts tracking the stocks (Bloomberg.com). However, in accordance with the latest news, that potential of the biggest Kazakhstani copper producer was not reached, as KAZ Minerals stock was excluded from the FTSE 100 on March 6, 2016 after losing almost 750 million pounds (\$1.1 billion) of market value over 10 days. Today, KAZ Minerals stock is included in the FTSE 250 Index, which covers mid-cap companies not covered by FTSE-100 and represents about 15% of the total market capitalization of the London Stock Exchange. It is obvious that exclusion from FTSE 100 is negative sign for the company's stock, because the index provided for stock liquidity as index tracking funds had to own the stock. Hence, the results of our research paper correspond to the Halyk Finance analysts' recommendation to sell the stock of KAZ Minerals stock due to its high risk and rapidly falling return.

Analysis of investment in JSC Kaspi Bank deposit

The deposit of Kaspi Bank which offers the highest return and has an annual effective interest rates of 9,5%, 1,0% and 1,0% for deposits in KZT, USD and euro respectively, which was approved by the decision of Retail Management Meeting of Kaspi Bank on April 2, 2019. Obviously, even the deposit offering highest rate of return is less beneficial than the stock of KAZ Minerals PLC yielding 12,33%. Therefore, in case of comparison of two investment alternatives under consideration based merely on the return, purchase of KAZ Minerals stock seems to be more attractive.

However, every rational investment decision should be based on two major factors represented by return and risk. Hence, even though, the stock of the company offers higher return, still the paper focuses on evaluation of deposit's risk level. The riskiness of placing money on deposit in our term

paper is measured by standard deviation of the returns on the deposit over the period of 2015 to 2019. Data regarding historical rates of returns on Kaspi Bank's deposit is illustrated in the table 2.

Table 2. Historical rates on deposits of Kaspi Bank

| Year | Tenge | USD | Euro |
|------|-------|-----|------|
| 2015 | 12,0 | 2,0 | 1,0 |
| 2016 | 10,5 | 1,5 | 1,0 |
| 2017 | 10,0 | 1,0 | 1,0 |
| 2018 | 9,5 | 1,8 | 1,0 |
| 2019 | 9,5 | 1,0 | 1,0 |

With regard to this data, standard deviation of returns for deposit in each currency is estimated, using the following formula:

$$s = \sqrt{\frac{\sum (x - \bar{x})^2}{n - 1}}$$

Therefore, the standard deviation for the deposit is equal to:

- ◁ In tenge: $\sigma = 0,95\%$
- ◁ In USD: $\sigma = 0,4\%$
- ◁ In euro: $\sigma = 0,0\%$

So, as we can observe, the results of standard deviation vary among deposits in different currencies, however, still they are much lower than standard deviation of the stock, meaning much lower level of deposit's risk relative to the KAZ Minerals PLC stock.

In addition to the prior estimations, at the present time, Kazakhstan Deposit Insurance Fund guarantees the repayment of deposits in amount up to 10,000,000 tenge in case of bank's bankruptcy, meaning that risk of

placement of money on deposit for the ordinary individual is even lower than calculated standard deviation figure. However, due to the fact that some people put on deposits more than insured amount, it is necessary to assess the risk of the bank more carefully.

The risk of investor's deposit in the bank is represented mainly by the level of creditworthiness or reliability and stability of the bank's performance. Therefore, performance of Kaspi Bank is evaluated over the period starting from 2015 to 2019 in terms of examination of financial statements of organization and estimating financial ratios.

1) *Profitability ratios*

ROA= Net Income/Average Total Assets

ROE (DuPont formula) = (Net profit / Revenue) * (Revenue / Total assets) *
(Total assets / Equity)

= Net profit margin*Asset Turnover * Financial
leverage

Table 3. Standardized financial measures and reatios of Kaspi Bank

| In millions | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| Sales/Revenue | 380 777 | 291 105 | 291 515 | 246 853 | 172 392 |
| Net Income | 20 164 | 14 604 | 21 988 | 23 520 | 19 611 |
| Total Assets | 2 614 805 | 2 787 065 | 2 688 108 | 2 565 689 | 2 559 195 |
| Shareholders' Equity | 313 862 | 384 484 | 413 746 | 436 632 | 458 242 |
| ROA | 0,008 | 0,005 | 0,008 | 0,009 | 0,008 |
| ROE | 0,064 | 0,038 | 0,053 | 0,054 | 0,043 |
| NPM | 0,053 | 0,050 | 0,075 | 0,095 | 0,114 |
| EM | 8,3 | 7,2 | 6,5 | 5,9 | 5,6 |
| TAT | 0,146 | 0,104 | 0,108 | 0,096 | 0,067 |

With regard to the estimated data in the table below, it can be observed that bank's returns on assets are very low (below than 1%), which can be

associated with low Net income and high interest and other operating expenses. Moreover, return on shareholders' equity has fallen from 6.4% in 2015 to 4.3% in 2019, which indicates decreasing profitability of Kaspi Bank and declining returns for bank's investors. Use of Du Pont Approach illustrates that the major reason for deteriorating company's performance is a significant decline in Total assets turnover from 14.6% to 6.7%, which indicates inefficient use of assets by bank in generating its revenue. Moreover, the figure of equity multiplier, which shows the use of debt by the company, also has fallen from 8.3 to 5.6. Although, the amount of debt used by the bank decreased, still equity multiplier index of almost 6 is very high and serves as a negative signal for the investor, especially for the risk-averse one, as it increases the risk carried by the bank.

2) Liquidity ratios

Current ratio= Current Assets/Current Liabilities

Quick ratio= (Current Assets- Inventory)/Current Liabilities

Table 4. Financial position measures of Kaspi Bank

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Current Assets | 2 559 328 | 2 732 390 | 2 635 028 | 2 510 811 | 2 502 601 |
| Current Liabilities | 1 330 383 | 1 469 836 | 1 689 986 | 1 593 063 | 1 588 433 |
| Cash and cash equivalents | 90 478 | 62 702 | 61 216 | 105 067 | 77 432 |
| Inventory | 23 808 | 20 017 | 28 145 | 80 522 | 77 192 |
| CR | 1,9 | 1,9 | 1,6 | 1,6 | 1,6 |
| QR | 1,9 | 1,8 | 1,5 | 1,5 | 1,5 |
| Cash ratio | 0,068 | 0,043 | 0,036 | 0,065 | 0,049 |

Examination of such ratios as current, quick and current liabilities to total assets ratios are common tools to determine the working capital policy accepted by the company. As you can see from the table above, the ability

of the bank to repay its current obligations with cash only is week as cash ration is decreasing and is equal merely to 4.9 %. The percentage of current liabilities out of total assets did not change over the last three years, and amount of current assets exceeds current obligations almost by two times, which is an ideal ratio. The figure of quick ratio has fallen slightly during 2016, however did not alter at all since 2017 and is equal to 1.5. Such results can serve as a good signal for the investor or an individual who wants to open a deposit in Kaspi Bank, due to the fact that the bank has highly liquid assets and, consequently, low risk of not being able to meet obligations when they are due.

3) Financial leverage ratios

Debt to Equity ratio= Total Debt/Total Shareholders' equity

Interest coverage ratio= EBIT/Interest expense

Table 5. Financial position measures of Kaspi Bank

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Liabilities | 2 300 943 | 2 402 581 | 2 274 362 | 2 129 057 | 2 100 953 |
| Total assets | 2 614 805 | 2 787 065 | 2 688 108 | 2 565 689 | 2 559 195 |
| Shareholder's equity | 313 862 | 384 484 | 413 746 | 436 632 | 458 242 |
| EBIT | 192 739 | 156 161 | 180 299 | 164 708 | 100 466 |
| Interest expense | 181 265 | 136 372 | 152 091 | 133 531 | 80 855 |
| Debt to Equity ratio | 7,3 | 6,2 | 5,5 | 4,9 | 4,6 |
| Interest Coverage ratio | 1,06 | 1,15 | 1,18 | 1,2 | 1,2 |
| Debt to Total Assets | 0,88 | 0,86 | 0,85 | 0,83 | 0,82 |

With regard to the obtained results, although the debt to equity ratio declined over five years, still amount of debt used by the company is almost 5 times higher than its own resources and 82% of banks' assets are financed by debt, meaning higher risk of the bank of not being able to repay this huge amount of debt. Such capital structure is highly risky and

should alert investor willing to put his or her money on the deposit. On the other hand, the second ratio shows that the bank is able to repay the interest expense on the debt and coverage of the interest is increasing, which reduces the risk of Kaspi Bank and acts as a positive sign for investor.

Summing up findings and analysis part of our research paper, it is clear that both investment opportunities have their own strength and weaknesses in terms of return and risk level. However, even though stock of KAZ Minerals has higher return than the rate offered by deposit in Kaspi Bank, still it does not compensate significant risk carried by the investor represented by standard deviation of 18.2%, while the risk of the deposit is much lower. Moreover, as beta of the stock illustrates, it is highly volatile relative to the market, justifying the high riskiness of the stock. Hence, the overall recommendation based on the results of the research paper is to invest money in the deposit of Kaspi Bank offering an annual effective interest rates of 8.3%, 4,8% and 3,8% for deposits in tenge, USD and euro respectively, rather than purchasing the stock of Kaspi Bank.

Limitations

The major limitation for this research paper is the lack of necessary information. As a result, important data was obtained from variety of sources, which is not merely official web site of the companies, but also KASE, NBRK web site and reports of different investment companies. Moreover, some information presented on KASE is not available to the general public and should be paid for. The example of such serious limitation is lack of historical as well as current prices of stocks. All these factors cause a challenge to make a careful analysis of the companies and the overall stock market.

Significance of the issue

The significance of this study lies in illustrating to the general public how well local companies perform on the stock market and whether it is beneficial to invest in corporate stocks of Kazakhstani Company or it is more beneficial and less risky to place money in second-tier bank's deposit. The ultimate findings of this project are important for potential investors who consider investing in local companies as it will allow them to learn about new investment opportunities and compare investment attractiveness of KAZ Minerals versus deposit alternatives of Kaspi Bank.

Summary and Recommendations

In conclusion, based on the research of return and risk of both investment opportunities, we could state that both bear some portion of risk and it is the choice of investor which one is more attractive.

According to the obtained results, we would recommend to select an investment alternative of putting money on deposit of Kaspi Bank JSC versus purchase of KAZ Minerals PLC stock for two major reasons:

- ◁ less riskier (standard deviation for USD deposit equals 0,4%, while standard deviation for KAZ Minerals stock is 18.20%);
- ◁ guaranteed return (return for USD deposit equals 1.0% and return for stocks is 12.33%). With regard to the standard deviation, if investors put money on deposit we will receive at least 2.92% return. While investor of stocks will be in loss in case of negative scenario.

For investor who is interested in increase of the return and who is not paying attention to the risk involved it would be interesting to earn 13.95% on stock rather than 1.0% on deposit. However, here it is important to

mention that starting from 2019 KAZ Minerals has negative tendency in financial terms, moreover, business reputation of the Company is suffering from cases about fraudulent activities and corruption. Therefore, at the present time purchase of company's stock is considered to be irrational investment decision, which may result in significant losses for the investor in nearest future, whereas putting money on Kaspi Bank deposit with guaranteed return, lower risk and good reputation of the bank is more beneficial investment alternative.

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Development of Economic Science Through the Concept of Economic Competition

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Abstract

Many authors present the term "competitiveness" in a sense of ability to defeat rivals to achieve goals. Moreover, many economists rely on the definition of "competition" as a "contest". Competition is a continuous trend of methods of strive in different areas constantly applying new approaches. Competitiveness can ensure the continuity of this process. Competition is a struggle, that is, the ability to take action in any situation at any time to overcome it. Competition is the contest of organizations in the same market sector with similar interests. The intensity and structure of competition affect its forms and level. In general, the concepts of competition and competitiveness are studied in depth and comprehensively in Economics. Despite of that there is no unified definition of these concepts among scholars, and each researcher provides various definitions from own perspective of the field of study. This article discusses the history of the concept of economic competition in chronological order. The authors analyzed the basic conceptual

approaches of economic thoughts of the development of economic competition according to their classifications. The main attention is paid to the concept of competition in the economic sense. The author offers a vision of the concept of economic competition. This indicates the complexity and importance of the issue, as well as the need for further theoretical and practical research in this area.

Key words: economic views, economic science, economic concepts, economic competition, types of competition.

Introduction

Early theories of competitiveness in the international labor division have based on the concept of comparative competition of advantages. The doctrine of historical competitiveness was formed in the XVI century. The School of Mercantilists, one of the schools of economic theory, believed that the country's competitive advantage could be achieved by limiting imports and using colonies for inefficient trade. This concept was criticized by A. Smith. He based his theory of absolute advantages. Adam Smith attributed the absolute advantages to natural factors: the availability of natural resources, a favorable climate and geographical location. According to this theory, the absolute advantages are the condition for competitive production.

Research Method

Theoretical and methodological framework of the study were derived from the Kazakhstani and international researchers and experts on economic competition. Also, monographic analysis, analytical grouping, analysis of logical and historical development methods were used. Structural and functional analysis, including complex systematic analysis in solving specific problems, principles of general scientific methodology, including induction and deduction, comparative methods formed the research methods of the study.

Research Results and Analysis

Many authors refer to Adam Smith and David Ricardo as scholars who founded the concepts of competitiveness and economics. According to Taranukha (2015), although the concept of competition is already used by

the schools of physiocrats and mercantilists to explain the process of price formation, it was Adam Smith who founded the theory of competition. He gave a scientific and ideological meaning to this concept as the key to economic analysis and described it as a force that serves the interests of society in the pursuit of the ultimate goals of entrepreneurs. A. Smith presents the competition as a tool to bring the market to equilibrium.

In 1727, the first professor of economics Simon Peter Gasser became the head of the Department of Economic Theory at Gaul University. The first textbook on economics was "Economic, Political and Chamber Sciences", written by the professor. Only a hundred years later he was awarded the title of Professor of Economics in England. Adam Smith was a professor of moral philosophy. Before Adam Smith, almost all economic science were based on biological metaphors.

All his famous publications were influenced by his surroundings of that time. The fact that he was a member of the Oyster Club in Edinburgh together with well-known people like chemist Joseph Black, philosopher David Hume, Benjamin Franklin, James Watt and others facilitated it (Bryson, 2016, p. 94). A. Smith was awarded the title of "father of economics" for his research in the field of competition. He was the first to define the concept of "competitiveness" in the role of "invisible hand" as a competition that regulates the activities of market participants. Adam Smith states the "invisible hand" that regulates the market can only be observed in free competition. A. Smith created the principles of effective competition and also formed a universal mechanism of competition that promotes the optimal distribution of resources. However, in Graeber David's (2011, pp. 437-439) *Debt: The First 5000 Years of History*, Adam Smith

is closely associated with the works of medieval Persian scholars al-Ghazali (1058-1111 A.D.) and al-Tusi (1201-1274 A.D.).

Next it is essential to highlight David Graeber's research of the medieval Persian scholars al-Ghazali (1058-1111) Nasir al-Din al-Tusi (1201-1274). Adam Smith cited and used arguments and facts, examples of the medieval economic Persian treatises. Adam Smith's division of labor into eighteen separate operations through his famous pin factory was in al-Ghazali's division of the needle-making manufactory into twenty operations in Ikhya. Smith claims that he himself had been in such a factory, which might be true, but an example of eighteen operations was published in 1755, 20 years earlier, in an article in the fifth volume of the French Encyclopedia, *Epingle*. Hosseini also mentioned that "Smith's personal library contained Latin translations of the works of Persian and Arabic medieval scholars" (Hosseini 1998, p. 679), so that he could make his examples directly from the originals. It should be noted that according to Yuval Noah Harari (2014, p. 326) the works of Adam Smith takes into account in the predictions of Muslim economists.

Despite there were the similarities and differences between the works of Adam Smith and the works of Muslim scholars, his contribution to the science of economics cannot be eliminated, especially in England. It was mentioned by Chang Ha-Jun (2007, p. 64) in his books "The Bad Samaritans", "The Myth of Free Trade and the Secret History of Capitalism" stated that Britain was the first who ameliorated its economy by protecting its industry, subsidizing and granting monopoly rights. Just 84 years after Adam Smith's publication "Theory of the Wealth of Nations" in 1776 England, when it needed it and its economy recovered to eliminate its

rivals, spread the theory around the world, and it became a popular theory. Also, it has been introduced into the economies of many, almost all countries with the help of international organizations. Thus, it was a considerable misstep for the economies of undeveloped and underdeveloped countries. Many countries were still struggling to maintain their weak industries, industries, and economies, not only through free competition. According to Chang Ha-Jun, today's rich countries are rich because they have other development strategies not the ones they have proposed, which is not widely distributed, so he calls them "evil Samaritans" in his work, and Adam Smith is first recognized as a patriot and then as an economist.

David Ricardo soon continued Smith's ideas. According to Ricardo, competition is a market regulator that determines prices and income, as well as a condition of profit from society in the form of "commodity advantage and a decrease in exchange value." His contribution to the theory of competition can be attributed to two things. The first is a special understanding of free trade competition. That is, he states that free competition is not only the elimination of class differences, but also a set of conditions for the open space for economic rationalism. This set concludes that selfishness restricts any social regulators that are subject to behavioral goals. David Ricardo was the founder of the ideology of economic liberalism. The second is the concept of the theory of comparative advantage. This theory proposes that countries should specialize in the manufacturing only the products which they can produce compared to other countries at the lowest cost and with high efficiency. In general, David Ricardo can be considered the founder of the theory of global competition.

There are many visions of the concept of economics competition, that it was decided to place the main ones in chronological order in the following table.

Table 1. Chronological view of the visions of economic competition

| № | Period | Author | Description |
|----|---|--|---|
| 1 | 2 | 3 | 4 |
| 1 | XIV c. | F.Kene | Theoretical research on the concept of competitive relations and ideas about the role, place and role in the economy |
| 2 | XVI c. | Representatives of the Mercantilist school | believes that the country's competitive advantage can be achieved by limiting maximum imports and using the colonial countries in inefficient trade |
| 3 | 1808 y. "The Theory of the Four Movements and of the General Destinies" | Charles Fourier | Instead of competition, production should be regulated and a monopoly will emerge from the concentration of capital. |
| 4 | 1819 y. "New Principles of Political Economy" | Simonde de Sismondi | He said competition was the main cause of the social catastrophe |
| 5 | 1825 y. "Lecture on Human Happiness" | John Gray | competition is caused by "... the conflict of interests of people in the distribution of labor and the use of capital." |
| 6 | 1838 y. "The Mathematical Principles of the Theory of Wealth" | Augustin Cournot | described the concepts of monopoly, duopoly and "unlimited competition". |
| 7 | 1848 y. "Principles of Political Economy" | John Stuart Mill | as a systemic factor of the market economy, which allows to establish laws governing prices, rents, profits and wages |
| 8 | 1859 y. "Critique of Political Economy" | Friedrich Engels | Links competition with private property |
| 9 | 1867 y. "Capital Vol 1." | Karl Marx | It is said that the relationship that arises between capitalists |
| 10 | 1871 y. | William Stanley Jevons | competition determined that the market condition would be the same price for all homogeneous products. |
| 11 | 1891 y. "Principles of economic science. in three volumes" | Marshall Alfred | He developed a technological concept of competition. |

| | | | |
|----|---|--|--|
| 12 | 1897 y. "The Pure Theory of Monopoly" | Francis Edgeworth | added that there will be an infinite number of sellers and buyers in the market, and that there will be no restrictions on behavior aimed at maximizing profits. |
| 13 | 1904 y. "The Economists and the Problem of Monopoly" | J. B. Clark | supplemented by the requirement of unlimited mobility of resources. |
| 14 | 1911 y. "The Theory of Economic Development" | Joseph A. Schumpeter | competition is a "creative disruption process", ie a "creative disruption" process that, in his view, drives competition to new discoveries. |
| 15 | 1917 y. "Imperialism, the Highest Stage of Capitalism" | Vladimir Lenin | He developed the concept of monopolistic competition |
| 16 | 1921 y. "Risk, Uncertainty, and Profit" | Frank H. Knight | Introduced the concept of mature competition |
| 17 | 1930 y. "The Theory of Monopolistic Competition" | Edward Chamberlain | He developed a theory of monopolistic competition |
| 18 | 1933 y. "The Economics of Imperfect Competition" | Joan Robinson | pays close attention to the criteria of competition and pays special attention to the role of the firm in it |
| 19 | 1940 y. "Toward a Concept of Workable Competition" | J. M. Clark | "Workable competition" gave a clear description of monopolistic competition |
| 20 | 1940 y. "Human Action: A Treatise on Economics" | Ludwig von Mises | Catholic competition |
| 21 | 1949 y. "Individualism and Economic Order" | Friedrich A. Hayek | At the heart of the competition lies the "process of discovery." |
| 22 | 1982 y. "Contestable Markets: An Uprising in the Theory of Industry Structure" | William J. Baumol | He gave the theory of "competitive market" as another aspect of monopolistic competition |
| 23 | 1994 y. "Hypercompetition : Managing the Dynamics of Strategic Maneuvering(Hardback)" | Richard A. D'Aveni | Introduced the concept of hyper-competition |
| 24 | 2002 y. "An Evolutionary Theory of Economic Change" | Richard R. Nelson and Sidney G. Winter | He studied the evolutionary component of competition |
| 25 | 2002 y. "New competition. Institutes of Industrial Development" | Best M. | The concept of "new competition" was introduced, explaining competition through cooperation |

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|---|---------|------------------|--|
| 26 | 2019 y. | Author's version | Competition is a condition, condition or space necessary for economic processes to take place or for the economy to survive. |
| Note: compiled by the author on the basis of research | | | |

John Stuart Mill (1980) was one of those who further developed the concept of competition. He marked the concept of competition with the interpretation of a systemic factor of the market economy, which allows to establish governing prices, rents, profits and wages. Mille did not consider competitiveness so influential because he believed that its regulatory impact was limited by traditions and customs, and he developed this view further. The first is that competition is not suitable for all sectors of the economy, and if so, its impact is not the same. The second is that freedom of competition is not always a good thing, it should be limited.

Nevertheless, the representatives of the classical school, in turn, had critics and opponents. In particular, Simon de Sismondi (2007) described competition as the main cause of social catastrophe (mass collapse of small-sized manufacturers), and called on the government to save the population from "deadly competition." Saint-Simon Henri and Charles Fourier shared similar views. They claimed that competition should be replaced by production regulators. Surprisingly, Fourier said that competition would lead to the concentration of capital and predicted the emergence of economic monopolies, he called it "trade feudalism."

However, it was John Gray (1826, p. 67-71) who criticized the competition from different perspectives, he criticized it from economic and ethic perspectives. He considers the competition as a factor that disrupts the natural organization of the manufacturer's turnover, as it restricts the

recovery of labor costs and the growth of aggregate demand. By being one of the reasons for the creation of artificial boundaries of production the competition limits the growth of social wealth and creates poverty. The cause of this opposition is that the principle of organization of the competitive economic system is not a natural phenomenon, but human made. John Gray states that the competition derives from "... conflicts of interest in the distribution of labor and the use of capital." In short, in the opinion of J. Gray, the elimination of competition is in the hands of the people, and the key is in the hands of the country's leaders. This shows how anti-competitive it is, because, according to Adam Smith, the only enemy of competition is government regulation.

The concept of competition has not denied by Karl Marx, F. Engels and VI Lenin. They claim that competition arises not because of limited resources, but because of the specifics of economic management. As K. Marx (1867) states, "the division of social labor and independent producers are opposite to each other". At the same time, he says, private property is a form of realization of personal interests. This means that if limited resources are the foundation for a conflict of interest, then this conflict will only have the notion of competition if limited resources are obstructed by any person. In this case, this function is performed by private property. Therefore, according to K. Marx and F. Engels, the existence of competition is associated with private property. According to F. Engels (1859), "Briefly, as long as there is private property, everyone competes." In addition, it was K. Marx who provided the first scientific basis for the thesis that competition stimulates innovation, and the mechanism of its functioning creates the conditions for innovation. According to this thesis, despite the

positive impact of competition on the development of the productive forces of society, he also noted its negative aspects.

The concept of competition also caught the attention of the famous ruler of that time, V.I. Lenin (1917). Thus, he founded the concept of monopolistic competition in the early twentieth century. He attributed the change in competition to the emergence of a monopoly that provides a dominant share of market demand and concentrates large production and financial resources. He saw the essence of monopolistic competition in the ability of the monopolist to influence the emergence of a competitive situation by choosing the method, type and industry of struggle. The monopolists were able to concentrate production capacity in their hands and regulate not only prices, but also industry barriers. The global nature of the monopoly created ample opportunities to optimize business and ensure its profitability. Thus, the monopoly violated the sovereignty of the consumer, affecting the formation of consumer preferences. Thus, Karl Marx, F. Engels and VI Lenin, being representatives of the Marxist school, formed new views of competition. These concepts have not lost their relevance to this day, so these theories are important for economics.

Joan Robinson and Edward Chamberlin made significant contributions to the study of monopolistic competition. J. Robinson's novelty lies in the fact that he pays close attention to the criteria of competition and emphasizes the role of the firm. It means that the focus of competition is on the firm and its products. The firm has certain authority over the seller of its goods. This power will be able to determine the price first, and then the terms of the market agreement, without thinking about the reaction of consumers. The firm is no longer a "price taker" but a "price setter". At the same time,

for Robinson, a mature competitive market remains the ideal market to strive for. In addition, it was J. Robinson who was the first to define the indicators of competition other than the price index. He included the firm's competitive behavior in transportation costs, product quality, customer service, credit terms, reputation, and the role of advertising. According to Chamberlain E. the concept of competition is a dynamic phenomenon and the competitive advantages of the firm are recognized as a temporary phenomenon.

The founder of modeling the market structure is the French mathematician O. Cournot. In 1838, he described the concepts of monopoly, duopoly and "unlimited competition" as the main structures of the market. Formally, its typology is based on the number of enterprises in the market, but its main criterion is the market share of those enterprises. In a market structure, the presence of a single seller determines the volume of supply as a whole, and in the case of two sellers, a monopoly. And in "unlimited competition" the large number and small size of sellers, they control only a small share of the market, and none of them can influence the price.

Later, W. Jevons determined that as a condition of a competitive market, there will be one price for all homogeneous products. That is, because no one can influence the price, the price is considered normal, and market participants accept the price from the market. F.I. Edward added that the concept was based on the premise that there would be an infinite number of sellers and buyers in the market, and that there would be no restrictions on behavior aimed at maximizing profits. J.B. Clark supplemented these considerations with the requirement of unlimited mobility of resources. F. Knight completed this research by introducing the concept of "mature

competition" in the scientific community. Thus, mature competition is a market situation in which no one and no one can influence the market price and the terms of the market contract (Robinson, 1986, p. 55).

The following researcher adds up his point of view. J.M. Clark (1940) in the 40s of the twentieth century, based on official evidence, put forward a theory based on the illegality of the assessment of market competition. A market with monopolistic characteristics (high level of concentration and small volume of sellers) can give competitive results. This is called "workable competition".

Further, in the 80s of the twentieth century, the theory of "competitive market" continued in the research of W. Baumol, J. Panzar and R. Willigom (1982), on the possibility that potential competition can operate a monopolistic market as a competitor. Due to the similarity of the mechanisms and results of the "competitive market" and "working competition", they were called "quasi-competitive markets". However, despite the attractiveness of market theory, the contestant did not find the support of other economists.

Joseph Schumpeter (1980), is one of those who studied the next competition from other perspective. His contribution to the study of competition is also significant. J. Schumpeter's "Theory of Economic Development" presents the main ideas of the concept of competition. For J. Schumpeter, competition is "... a constantly changing landscape in which new market segments, new production processes, new ways of marketing research and the emergence of new products." He defines competition as a force that impedes the establishment of market equilibrium and always

destroys it if it arises accidentally. However, this is a violation that creates something new. Therefore, competition is a "creative process of disruption", that is, a process of "creative disruption" that, in his opinion, leads to new discoveries. The concept of Schumpeter competition is based on two prerequisites. The first is the hypothesis of diversity of firm behavior, and the second is the existence of entrepreneurship, which is a source of diversity of competition. According to him, the abolition of entrepreneurship led to the abolition of competition (Schumpeter, 2003, p. 187).

The next Austrian scientist, F. von Hayek (1948, p. 91), identified innovation in competition. In his 1940 book, *Individualization and Economic Discipline*, he noted that competition was rooted in a "process of discovery." According to Frederick von Hayek, the most effective ways to realize economic interests are determined through competition. At the same time, L. von Mises (2010, p. 259), introduced the concept of "catalytic competition". "Catholic competition" is like a biological competition, not a struggle for survival. "... the losers are not eliminated, they are pushed to the other side of society, but the strong are rewarded according to their achievements." As a result, according to L. von Mises and F. Hayek, competition is a force of uncertainty and disobedience to market participants. Competition is an unpredictable experience. It cannot be understood or measured. They say that competition can only be trusted as the best way to deal with market agents. Thus, competition is described as a delicate form of communication.

Michael H. Best (1990, p. 29) proposed a version of the "new competition". According to him, changes at the micro level should be considered as the

driving force of competition. The peculiarity of Michael H. Best is that, firstly, he shifted the focus of analysis from the sphere of circulation to the sphere of production, and secondly, he paid attention to the organizational features of the firm. Its transition to "new competition" is explained by changes in the technological base of production. "Firms can not only compete with each other, but also cooperate to create joint and complementary investment strategies to establish the" rules of the game in the market. "

In the second half of the twentieth century, the competitive environment underwent radical changes. The reason is that the competitive environment has become global. Currently it is difficult to defend against the pressure of competitors, that is, there is an increase in the number and quality of competitors. The new microcompetition situation in this case was introduced by Richard D'Aveni (1994) under the name "hypercompetition". Hyper-competitive environment is the result of the following driving forces: 1) globalization, which causes changes in supply and demand, 2) polarization of markets, 3) lack of sectoral and geographical boundaries, 4) technicalization of business processes, 5) concentration of financial resources, 6) liberalization of international trade. Another feature of hyper-competition is the active involvement of the state in the development of competition rules in the world market. Thus, hyper-competition is a way to realize the dominance of state-owned monopoly capital in a global and innovative economy. It was M. Brown who continued Richard D'Aveni's research. He tried to study in depth the specific features and driving forces of hyper-competition.

According to Sagadiev (2003, p. 25), "... competitiveness, industrial-innovative development is becoming our industrial tradition. We have

been providing them with resources, creating institutions, and now it is time to think of the efficient use of existing factors of production. ".

Conclusions

We have reviewed numerous researchers' view on the concept of competition. As a result of this research, we decided to give own vision of the concept of competition. In our opinion, competition is an integral condition for the emergence of economic processes, that is, the conditions for the emergence of any economic phenomena. The most of economic phenomena, that we encounter today, has appeared due to this competition. Otherwise, if the conditions for competition were not met, such phenomena as development or failure would not had occurred. Thanks to this competition, there are a variety of trends, a variety of economic phenomena. The winners of the competition are ahead, and the losers are behind, but because competition is an integral part, they do not stay in place, they continue to try in other ways, that is, to create other phenomena. Therefore, competition is an integral condition for the emergence of various economic processes. Competition is a necessary condition or space for economic processes to take place or for the economy to survive.

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Improving the assessment of financial and management reporting elements

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Abstract

The purpose of the research is to discuss current issues and to unify financial and managerial accounting as a single unit of accounting and application in practice. In the process of the research, the following methods were used: system approach, observation, comparison, grouping and modeling. The research materials are used in the practical activities of financial and economic services of LLP "Hitten Tobacco Kazakhstan" in particular, a set of methodological techniques for preparing financial statements.

The scientific novelty of the research consists in working out conceptual approaches to the formation of financial statements, practical development of organizational and methodological provisions relating to the reporting organizations. The study obtained the following most important scientific results are submitted for protection: a model for formation of financial and management reporting in the entities acting in a specific industry analyzed the organization; updated classification of

elements of information in financial statements in accordance with the developed concept; an algorithm for testing economic operations in accounting for compliance with the concept; an algorithm for managers' actions to reflect income and expenses in accounting; a method for comparative analysis of parameters of elements of information in financial statements converged to IFRS in accordance with the proposed model.

The theoretical significance of the research is to expand the information boundaries of financial statements. The practical significance is that the developed set of methodological solutions for the preparation of financial statements will ensure their verifiability and comparability and will serve as a basis for the preparation of reports of economic entities.

Keywords: financial statements, accrual principle, continuity principle, income, expenses, capital.

Introduction

In the modern economy, there is an obvious need to integrate corporate governance methods into a single system that would support the adoption of economically balanced management decisions, increase labor productivity and competitiveness of enterprises. This is a question not only of effective management of the enterprise, but also of its existence in a highly competitive environment, including at the international level.

In conditions of Hyper-competition, instability of the external environment, growing inflation, organizations need to effectively manage the enterprise, which depends on the level of its information support provided by the accounting system. Effective work of a modern organization is impossible without a well-established management accounting system, which is a subsystem of accounting, which within the organization provides the apparatus at all levels of information management used for planning, proper management and control of its activities. As a process, management accounting includes the identification, measurement, collection, analysis, preparation, interpretation, transmission and reception of information necessary for the management apparatus to develop optimal management decisions.

Until recently, management accounting, which was mainly aimed at providing information for operational decisions, is called traditional.

In addition to operational management decisions, a modern enterprise needs to make long-term or strategic management decisions. Recently, their importance has increased dramatically, due to increased competition and the emergence of new information opportunities for data processing. It is the focus on the long-term goals of the company that contributes to more stable benefits that quickly offset short-term advantages.

This leads to the conclusion that new methods of management accounting are needed to serve the needs of the company's management when preparing strategic decisions. In this case, we are talking about a new direction of management accounting, called strategic management accounting, aimed at providing information for strategic decisions. In turn, this leads to the use of analytical methods and completely new relationships between management accounting and other related disciplines: financial accounting, management, marketing, etc.

The main function of strategic management accounting is to provide conditions for the most objective analysis of the company's performance, as well as to ensure that the wishes of all groups of stakeholders are considered when making strategic management decisions. In other words, strategic management accounting should allow you to determine how effectively the organization works from the point of view of various interest groups.

A well-established system of management accounting and reporting for managers at all levels of management is necessary for a modern organization to work effectively in whatever area of the economy it operates in.

Literature Review

State of development of the problem. Studies of regulation of accounting, the subject of numerous works of Russian and foreign scientists including Makhmudov and Kerimov (2020).

Theoretical and scientific-methodological work in the study of problems has been widely developed in the economic literature and reflected in the

works of such writers of the Republic of Kazakhstan, such as Nurseitov (2015) and Markhaeva (2017).

Methods

The research methodology is based on General scientific methods of knowledge, principles and criteria of objectivity in their versatility and inconsistency, based on the totality of works of domestic and foreign scientists, statistical indicators that correspond to the truth and General laws of state and socio-political development at the historical stage under study.

Sample

The information base of the research consists of legislative acts, resolutions and other state program documents of the Republic of Kazakhstan, as well as information contained in official documents, scientific, reference and periodical literature on the topic under study.

Data Collection

The research information base consists of materials of scientific and research conferences and seminars; statistical information contained in scientific publications.

Findings

Management accounting was organized in the process of separating accounting from other professional areas. Management accounting is mostly not related to accountants who are engaged in financial and tax accounting, but it also includes taxes, internal control, internal audit,

performance measurement, management control, and so on. The motivation to combine persons responsible for financial and managerial accounting, apparently, is due to four factors:

1. The Development of Blockchain technologies threatens the positions of ordinary accountants who are not related to management accounting.
2. Separate financial and management accounting may lead to distortions and affect the quality of management decision-making, because the accountant for management accounting may not have detailed information.
3. Internal and external users of reporting are subject to negotiations with various persons representing only one side of the organization's global accounting.
4. The Financial Manager is not a material responsible person in the organization, is not responsible to the tax and other state authorities, while this responsibility is assigned to the chief accountant, who just controls the financial and tax accounting.

The relationship between financial and management accounting as technologies is complex. On the one hand, management accounting systems provide cost data and inventory estimates that are used to support financial reporting and are subordinate to financial reporting in this sense. There is no doubt that management accountants and financial accountants share a common knowledge base. On the other hand, management accountants were asked to act as internal consultants in organizations, focusing on strategic initiatives and performance assessment/management, rather than on routine costing processes. Management accounting focuses on aspects of managing or implementing

management actions, while financial accounting focuses on the investment use of information. Thus, Management accounting is at the same time a profession that supports financial reporting, trying to go beyond this narrow area.

The financial Manager position involves partnership in making management decisions, developing planning and performance management systems, and providing expertise in financial reporting and control to help management develop and implement the organization's strategy.

An outline of the development of management accounting as a technology of practical activity indicates that management accounting differs from financial accounting in the:

1. Focus on opportunity costs to support management decision-making and encourage different information for different decisions within the same organization.
2. Providing information relevant to a broad group of stakeholders, rather than focusing on information relevant to the shareholder decision-making model.
3. Variation of management accounting practices depending on the organization's strategy, in particular, in the selection of performance indicators to stimulate the implementation of the strategy and build information specific to decision-making by internal users. In figure 1, we see that the basis for building financial and management accounting is unified, therefore, it allows for the unification of accounting.

Management accounting is information provided to internal users for the purpose of making management decisions, developing strategies for further business development, and building strategic plans. If financial accounting is considered as a rule in short-term periods, projects of management tools are developed as a rule on a long-term basis, i.e. for a period of more than 1 year (Ivashkevich, 2016). These include budgets (each company has a different approach, and a tight / flexible budget). Management accounting is based on financial accounting, but it has no time limits, forms, and is not required to maintain, unlike financial and tax accounting (Volkov, 2016). With the help of management accounting, users can make decisions, assess the level of expenditures of certain departments and assess the return on investment, understand the volumes at which the company does not risk being in a loss (break-even point). Management accounting is considered at a more global level, so the data may differ from financial accounting, because management accounting may not consider certain costs that do not reach the level of materiality of the organization (Nurseytov, 2015).

Financial accounting is a system for recording all business operations of an organization. Financial accounting is the basis for financial reporting that is used by external users, for management reporting that is used by internal users, and for tax and statistical reporting that is used by the state. High-quality financial accounting is an important component of any organization, because it is presented to a large number of users for decision-making, and may also include risks that may arise by reporting to the state (tax/statistical accounting). Financial accounting differs from management accounting in that management accounting is not maintained in all organizations, is not mandatory, is not regulated by legal acts, and

does not have approved reporting forms and deadlines for its submission (Markhaeva, 2017).

Since the beginning of 2019, the issue of implementing Blockchain and EDO technologies has been actively discussed. These technologies involve the introduction of Bots, as an alternative to accountants for processing primary documentation (bookkeepers), accountants for reflecting operations on the economic activities of organizations and other operations directly related to the formation of transactions for financial statements. In our opinion these technologies are a great innovation because:

1. Get rid of the routine processes of entering transactions.
2. The introduction of EDO will reduce the use of paper (Eco-friendly).
3. EDI involves changes in tax legislation, in terms of the Statute of limitations on the storage of primary documentation (on paper).
4. As the blockchain and EDO are an innovation and development in technology.

The above points are positive, but there is also a negative side of these innovations, such as "staff reduction". In summary, we would like to note the importance of integrating management and financial accounting in order to save jobs for accountants, which will be replaced by bots in the near future (Beyer et al., 2010).

The call for a unified accounting system for both management decision-making and stakeholder reporting has deep roots. It is based on three considerations.

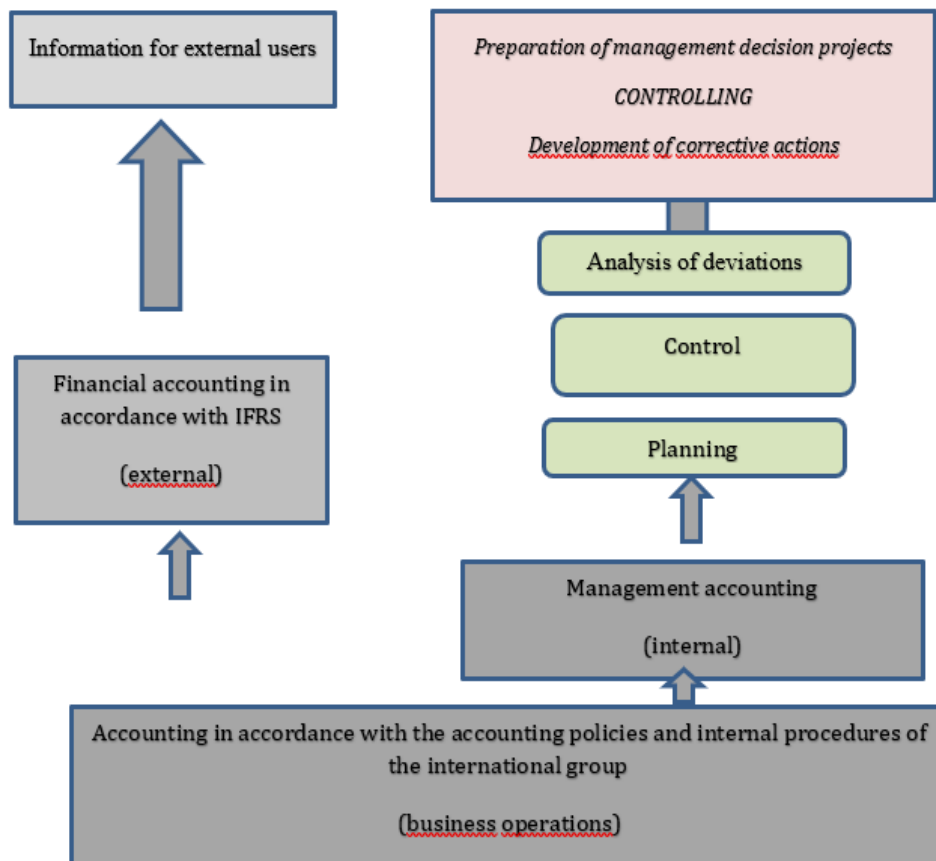


Figure 1. Basis, purpose, and users of financial and management reporting. Note: developed by the author.

First, in an equity-oriented economy, it is argued that managers should always act in the interests of shareholders, i.e. their decisions should be aimed at maximizing shareholder value. Financial reporting provides the means by which shareholders control management, and is often used to build compensation systems designed to align the interests of management with the interests of shareholders (Medianki, Sargiacomo and Walker, 2015). But more than that, it is argued that shareholders should be able to see the information on which managers make their decisions in order to distinguish between good / bad results and good / bad decisions,

i.e. to separate skill from luck (Granlund and Malmi, 2002). This suggests that the information system used by management should be a more detailed and up-to-date version of the information provided to shareholders. This logic also challenges developers of financial reporting standards to reject current standards and adopt those that have proven their value.

Thus, if financial statements are based on information that determines shareholder value, and management reporting allows you to evaluate performance based on it, why do managers use a different set of information when making decisions?

A related trend in both management and financial accounting is risk orientation. The concept of risk draws attention to possible future results and contingencies for the organization, as well as to whether the organization can withstand shocks (business resilience), respond constructively to challenges (contingency planning), and innovate to meet new challenges (innovativeness). Financial statements with their traditional backward perspective were not sufficient to provide an insight into this aspect of corporate activity. This argument in favor of integration assumes that the merger of management accounting and financial accounting and is an innovation (Hein, 2014).

Second, the development of information technologies that allow real-time data collection and reporting eliminates the need to keep records in separate systems for making management decisions. Norton and Kaplan (2010, p.61-64) suggested that financial reports were “too aggregated, too distorted, and too late” to be useful for managerial decision-making. This

criticism, in particular, presupposes the conditions under which financial statements can be used for managerial decision - making, i.e. if it was available in a disaggregated form, made theoretically reasonable distinctions between cost categories, and used theoretically acceptable allocation methods (including not allocating true shared costs), and was available in real time. Hopper et al. (1992) report a pilot study in which they examined whether financial accounting systems dominate management accounting systems. They found that among their small sample, both financial accounting and management accounting rely on the same database, but process and format information in different ways. Although this implies a level of integration around "primitive" credentials, both systems can maintain their independence. However, if the underlying "primitive" system is based on an ontology of financial accounting (i.e. limited to transactional, verifiable information), it remains unclear whether the potential of management accounting information can be realized. The existence of "popular accounting systems" along with formal accounting systems of organizations suggests that this form of integration may not fully meet the information needs of managers.

Finally, the transition to market-based information in accordance with IFRS weakens the requirement that financial statements be based on transaction data and opens the possibility that the "opportunity cost" information recommended for management decisions may correspond to the information provided in the financial statements. However, as Kaplan notes (Kaplan and Norton, 2010 p.34-39), the "fair value" provisions of IFRS are among the most controversial aspects of global standards and are an area where there will be significant internal differences in application.

Transition of management accounting systems in Germany from Autonomous to integrated management accounting/financial accounting systems to explore the potential benefits of integration. They do not find a direct technical benefit from the change, but report a positive relationship between the change and the effectiveness of the control function within the firm, based on creating a single “language” for discussing both investor and management issues. Although this has not been verified, it can be assumed that a similar benefit would be found if the financial reporting system switched to a management accounting framework. However, integration usually refers to the abandonment of a separate management accounting system in favor of a compliance-based financial accounting system.

Management accounting as a separate field and body of knowledge is a relatively recent addition and differentiation of the accounting profession. This is the creation of mostly Anglo-Saxon countries, and individual management accounting associations outside this context are less common. The existence of separate associations of management and financial accountants creates competition and conflict between professional associations. The trend is to resolve these issues by consolidating accounting lines.

Management accounting as a practice technology focuses on the decision-making needs of managers and on supporting managers in implementing strategies and managing a diverse group of stakeholders. While there are good reasons for maintaining the distinction between management and financial accounting, the continuing trend of separation of professional associations dealing with financial reporting and auditing means that

these calls should be taken seriously. All this raises the question: is there an independent future for management and financial accounting as technologies and directions?

To the extent that management accounting has become a practical technology that goes beyond investment-oriented information and is aimed at predicting changes in the information needs of various stakeholders, incentives remain for the development of this integration technology.

There are good reasons for maintaining the distinction between management and financial accounting, and the continuing trend of separating professional associations dealing with financial reporting and auditing means that these calls should be taken seriously. All this raises the question: is there an independent future for management and financial accounting as technologies and directions?

To the extent that management accounting has become a practical technology that goes beyond investment-oriented information and is aimed at predicting changes in the information needs of various stakeholders, incentives remain for the development of this integration technology. Improving the assessment of the effectiveness of the management accounting system should help to solve problems in the functioning of the management accounting system, which, in turn, hinder the effectiveness of the organization as a whole. Therefore, it is important to list the main problem points, the elimination of which is necessary to focus the program on improving and developing the evaluation of the effectiveness of the management accounting system, which in turn is the

subject of internal audit of the management accounting system in the organization.

Recommendations for improving the management reporting system and optimizing the information base that supports it are presented below.

The following areas of improvement of the management accounting and reporting system were selected as priorities:

1. Improving the structure, hierarchy, content and presentation of management reports.
2. Development of the financial planning and budgeting system.
3. Development of the company's development strategy with subsequent linking of short -, medium-and long-term planning horizons.
4. Improving the cost accounting system.

Figure 2 shows current accounting. The study showed that this system is not effective, labor-intensive and can distort the results of economic activity.

Shown in Figure 3 accounting system, will allow the organization to reduce a lot of routine processes, optimize the operating part, reduce costs in terms of remuneration and automate accounting in General.

As a result of the research, we can identify recommended ways to improve the management accounting and reporting system in the organization.

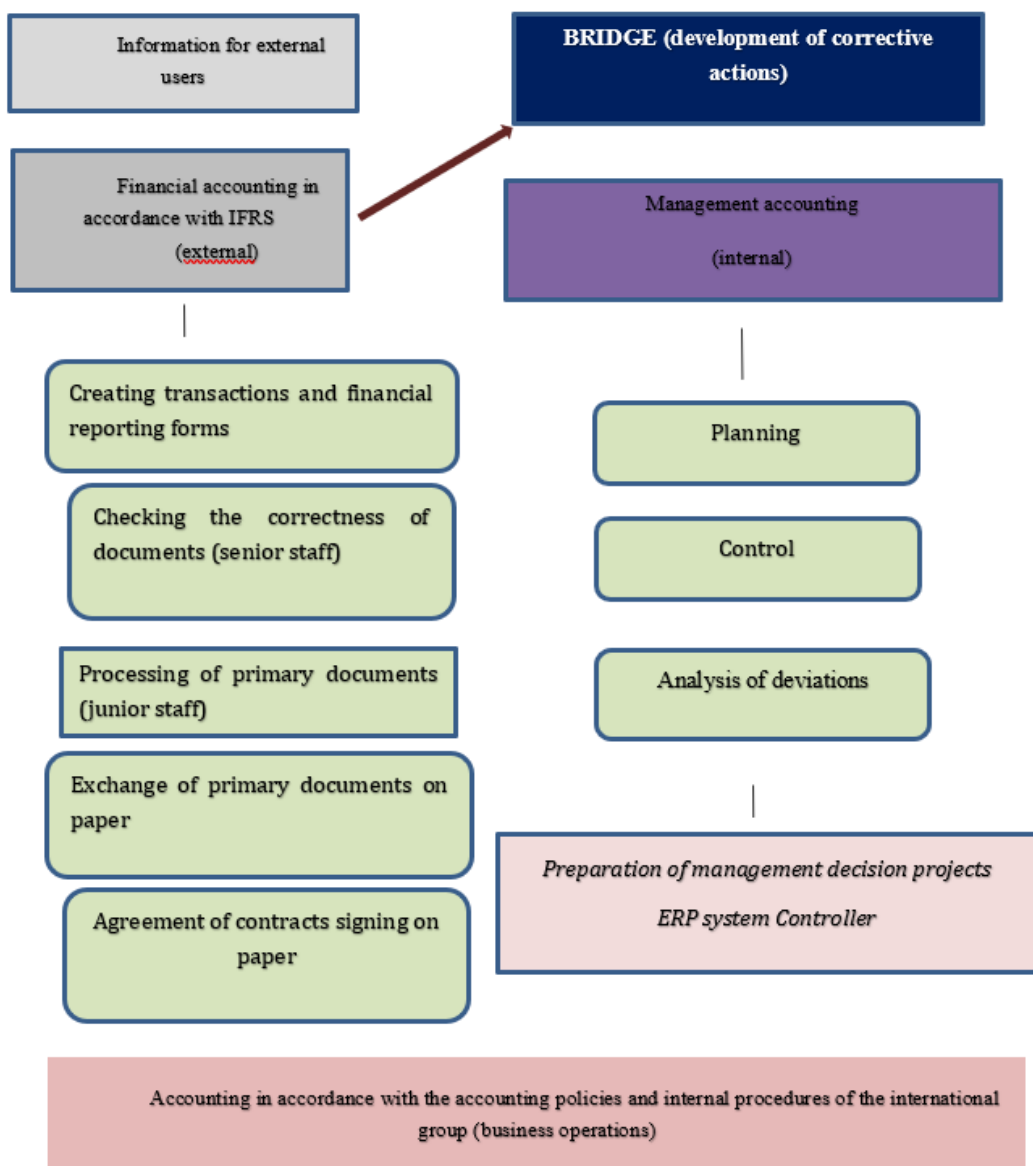


Figure 2. Accounting Scheme of LLP Hitten Tobacco Kazakhstan.
Note: developed by the author based on management report.

- Designing an optimal hierarchy of reports and adapting them to the needs of managers at various levels.

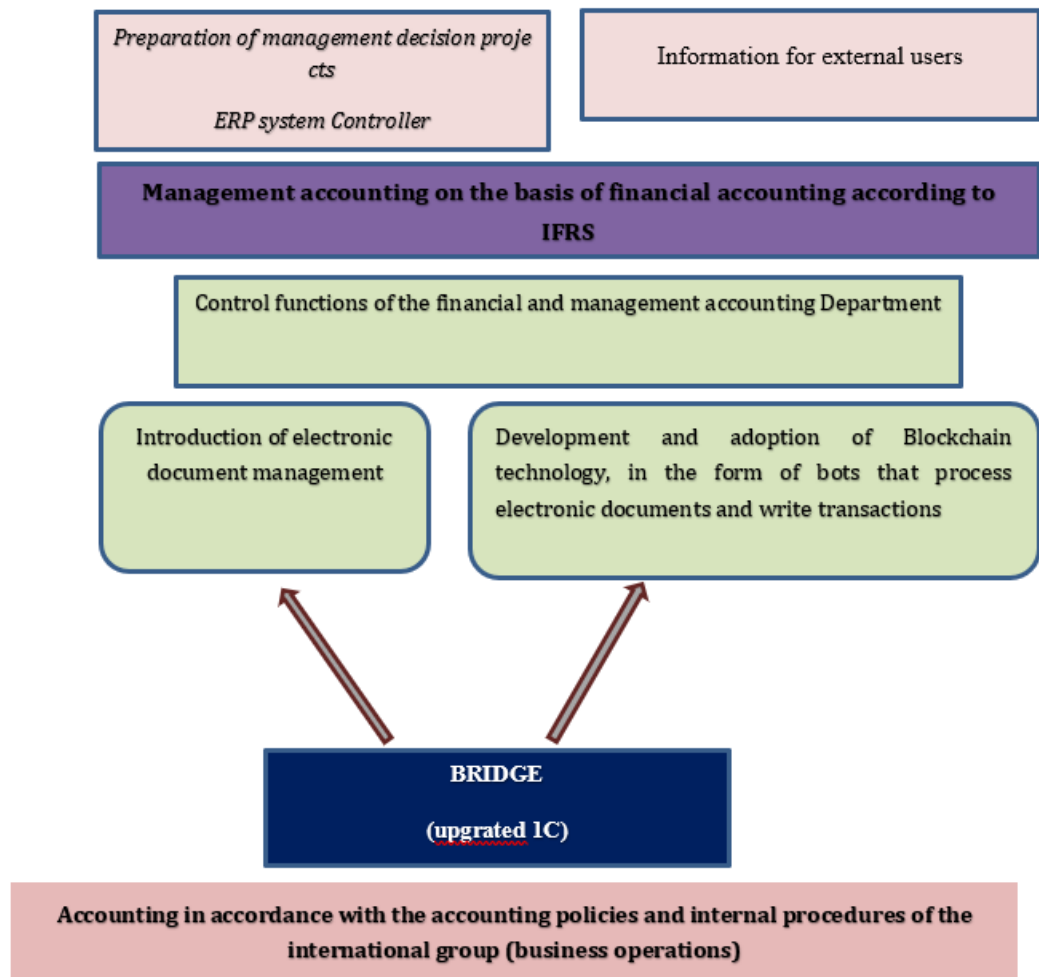


Figure 3. Unified financial and management accounting.
Note: compiled by the author as a result of research.

- Development of a system of long – term (5-10 years) and medium – term (3-5 years) planning based on the assessment of the company's competitiveness in the domestic and global markets.
- Linking long-term, medium-term, and current planning.
- Optimization of the budgeting system.
- Improvement of the cost accounting system and the regulatory framework for calculating their planned level.

As part of the first direction-improving the management reporting system, defining the hierarchy of reports and adapting them to the needs of managers at various levels — the most significant activities are the following:

- Analysis of the current management reporting system, its composition, structure and functions, as well as organizational and technical aspects of its functioning.
- Assessment of the level of automation of information flows and decision-making processes and, if necessary, bringing them in line with the requirements of the management accounting reporting system.

The role of management accounting in ensuring the correct use of enterprise resources and determining the scope of responsibility of each Manager is clearly understood. But determining the expected income from a particular economic event, making a forecast of the profitability of new products, forecasting the financial position of the company in the future and financial assessment of options for the development of the enterprise, as the main tasks of management accounting, are not widely used. Also, we are not talking about the use of elements of strategic management accounting: providing employees with essential information; using financial and non-financial indicators in determining performance, and others. While the introduction of traditional management accounting in Kazakhstan is only taking the first steps, Western scientists are already talking about the need for radical changes in the structure of strategic management accounting.

Management accounting on the basis of financial accounting according to IFRS

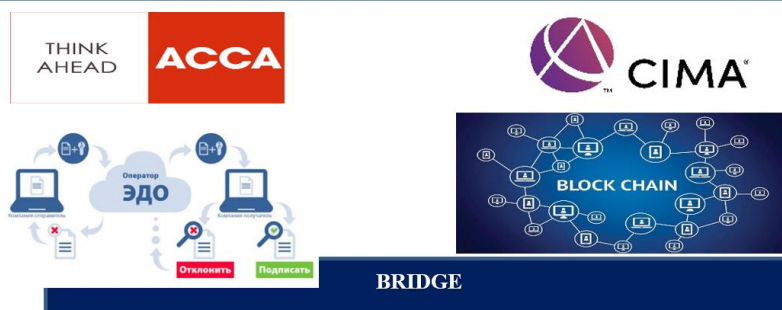


Figure 4. Unified financial and management accounting.
Note: developed by the author.

Based on a set of primary indicators, it is possible to build a number of small information systems, the use of which is aimed at solving local management problems. Each system with its own indicators and their information carriers (documents) ensures the implementation of specific management functions. This is an objective prerequisite for the appearance of an independent type of accounting - financial and managerial. Systematization of indicators in analytical and synthetic accounting is always aimed at the final result — the formation of necessary information for specific users. This, in turn, makes it necessary to interpret analytical data and indicators of financial statements taking into account the set goals. The purpose of the concept of accounting unification is to create a system of accounting and reporting based on the adoption and use of rules and regulations that do not contradict the legal framework and comply with the provisions of international standards. The development of the management accounting system, accompanied by the improvement of the organizational structure, could provide the necessary information support for making responsible management decisions at a lower

management level and facilitate the delegation of appropriate responsibility from the top to the middle level of management.

Conclusions

In the course of the research, the main principles for the development and improvement of strategic management accounting were formulated. The organization and improvement of strategic management accounting is an internal matter of the organization itself. The main and indisputable argument for improving management accounting is the economic environment. The development of market relations forces managers of organizations to make management decisions on a variety of issues of the organization's activities and bear the risk and responsibility for the justification of each of them. A scheme for improving strategic management accounting is proposed. The proposed scheme for improving strategic management accounting is a set of interrelated and mutually dependent components that form a single, integral, continuous process of forming an effective organization of strategic management accounting in the enterprise. We would like to expand the scope of management audit, extending it to the accounting and analytical subsystem, personnel management and other elements of the organization. This approach is associated with the need to fully cover all elements of the organization by management audit methods, since the loss of one of their elements will not allow forming a complete picture of the financial situation of the organization and will make it difficult to make effective decisions. Currently, some of the listed objects of management audit have developed original methods, including the method of management audit of personnel.

Recognizing the novelty and effectiveness of these methods, it is necessary to point out the fragmentary nature of research. This indicates the formation of management audit, the search for optimal ways of its development.

The effective functioning of an organization is determined by optimizing its structure and activities of segments, which in turn requires improving the accounting and analytical subsystem, internal control system, etc.

In this context, a special place is given to improving management audit. The specifics of management audit as a relatively new branch of economic knowledge and its versatility require the use of non-traditional tools. Among them should include diagnosis and decomposition of the system.

Implementation of the goals and objectives of management audit, its improvement through the use of diagnostics allow for a system-problem approach and logical-critical analysis of management subsystems (sales, supply, pricing, etc.). Identification of features and trends in the development of each subsystem determines the definition of global problems in the development of the organization as a whole and the construction of a clear "financial picture" of the economic entity. Diagnostics can be used in the context of checking the effectiveness of sections of the accounting and analytical subsystem and the internal control system.

It is advisable to use system decomposition in parallel with its diagnostics, which will provide a comprehensive approach to solving management audit tasks. Developing market relations call for the formation of a system for managing capacious, flexible, reliable financial information, the source of which is financial accounting. The relationship between financial accounting and management plays a special role at this stage of

accounting development. To show this relationship, the value of accounting information for the functioning of the system as a whole is determined.

Summarizing the above, we can characterize the diagnostics and decomposition of the management system in the framework of management and financial accounting as powerful and effective tools for research of economic and other problems of the organization. Comparative analysis of management accounting and financial have shown that their major differences lie in such features as customer data (managerial accounting designed to provide information to the company's management and financial, mainly for external users), focus (purpose management accounting support for the process of managerial decision-making, goal financial and the preparation of financial statements), freedom of choice of methods (management accounting can be carried out almost any methods, financial - strictly regulated by regulatory documents), etc.

Today, there are many tools for management accounting - various types of budgets, reporting and analytical forms, methods for allocating overhead costs, etc. While outside the scope of the studies remains a fundamentally important question, how to shape the management accounting system of a specific enterprise to provide the company's management the necessary information with the specific activities of the control object. In other words, how to adapt a variety of existing tools to the needs of a particular enterprise in order to use them for making management decisions. The lack of developments in this area leads to the fact that management accounting at the enterprise is either not conducted at all, or it is conducted formally, i.e. reports, budgets, and other documents are compiled, but their actual use in making management decisions is very

limited, which dramatically reduces the effectiveness of the management process.

In connection with the above, there is a need to create a technology for the formation and implementation of a management accounting system in a specific enterprise. The formation of the management accounting system at the enterprise is inextricably linked and is a consequence of the General concept of enterprise management. As a basis for such a concept, a project approach can be proposed, in which the activity of the enterprise is considered as the implementation of a certain set of projects. Moreover, this approach can be applied not only in purely project companies, but also in almost any enterprise. In this case, the concept of enterprise management is reduced to optimizing project management as a complete system and optimizing the management of the implementation of an individual project, and the goal of management is to form a balanced portfolio of projects and optimize the implementation of individual projects. The proposed synchronization of financial and management accounting systems is aimed at optimizing the process of automating report generation. The transition to a single unified accounting policy will significantly increase the prospects and reduce the complexity of automating the process of forming two types of reporting formats. The development and application of innovative information platforms where accounting and analytical information can be generated by various segments (including geographically remote ones) via the Internet and analyzed online - all this significantly improves the prospects for effective and high-quality formation of automated management and reporting under IFRS.

It is important to note that the integrated system helps to optimize the unification of organizational and methodological simplification of

structuring and integration of financial, management and other reporting by dissolving the interchangeable departments of IFRS and management accounting, while removing possible conflict situations between the centers of responsibility. The development of a unified methodological platform intensifies the process of financial integration in the group of companies and minimizes the costs of forming consolidated management reports, which is due to the fact that there is no motivation to identify all accounting differences and make transformational adjustments.

Summarizing the above, it can be noted that in order to ensure at the present stage that the control bodies of the enterprise can carry out inspections within the framework of the implementation of the management accounting system, it is necessary to focus on solving the most important tasks of forming an appropriate methodological base that establishes the main procedures and algorithms for carrying out control measures to build a management and financial accounting system.

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