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**Oleksandra KURINNA,**

student of higher education,

specialty 073 «Management»,

National Technical University of Ukraine «Igor Sikorsky Kyiv Polytechnic Institute»

ORCID 0009-0008-9074-7752

email: [om11.kurinnaolexandra@gmail.com](mailto:om11.kurinnaolexandra@gmail.com)

**Viktor ZAMLYNSKYI,**

Doctor of Economics,

Professor, Department of Accounting and Taxation

Odesa State Agrarian University

ORCID 0000-0001-7642-2443

email: [zam.agrariy@gmail.com](mailto:zam.agrariy@gmail.com)

## FINANCIAL TRANSPARENCY, ACCOUNTING & ESG STANDARDS AS FACTORS IN SHAPING THE COMPETITIVE ADVANTAGE OF UKRAINE'S ECONOMY

### *Abstract*

**Relevance.** *This paper examines the impact of financial transparency and accounting standards on the formation of Ukraine's competitive advantage in the context of global economic integration. The paper key international financial reporting standards – GAAP and IFRS, a comparative analysis of these standards, as well as the peculiarities of financial reporting in Ukraine. It also analyses the role of transparency in reducing information asymmetry, strengthening investor confidence and reducing the cost of capital. The study finds that the harmonisation of accounting standards and the implementation of transparency principles are prerequisites for the integration of the economy into the international market, increasing its investment attractiveness and strengthening its position in the global economy.*

**The purpose** of this work is to substantiate the role of financial transparency and accounting standards in shaping Ukraine's competitiveness in the international market.

**Methods.** *Dialectical method and systemic approach — to study the relationship between the quality of financial reporting and the international competitiveness of the state. Comparative analysis — used to compare GAAP and IFRS standards, as well as to assess the differences in the levels of institutional maturity and regulatory readiness for the implementation of ESG in Ukraine compared to EU countries. Synthesis and modeling method — to develop a strategic forecast for the transformation of enterprise management systems based on the implementation of digital traceability. Logical generalization methods — to substantiate the role of transparency in reducing information asymmetry and the cost of capital raised.*

**Results.** *The results of the study formed a strategic forecast for the transformation of management based on financial transparency, accounting and analytical systems and ESG standards.*

*The implementation of ESG standards in Ukraine remains complex and uneven, therefore, the difficulties of implementing standards are analyzed, which are due to significant inter-country differences in the level of economic development, institutional capacity and regulatory maturity. The combination of market and state support instruments is a key prerequisite for accelerating ESG transformation and increasing the competitiveness of the national economy.*

**Practical Value of Study.** *The justification of the feasibility of transition to international standards is provided not only as a formal requirement, but as a tool for reducing the cost of capital and attracting strategic investments. A combined approach (market instruments + state support) is proposed to accelerate ESG transformation, which is critical for fulfilling the conditions of European integration and access to EU structural funds, and a digital traceability model is described, which allows agribusiness and the industrial sector to integrate into EU value chains, meeting the requirements of environmental and social monitoring.*

**Conclusions.** *Financial transparency, advanced accounting and analytical systems and the implementation of ESG standards form the strategic basis for the transformation of enterprise management. Investment attractiveness increasingly depends on the quality of reporting and the level of investor confidence. Digital traceability ensures integration into the EU single market, and the focus on sustainable, high-margin business models creates a long-term competitive advantage.*

**Keywords:** *financial transparency, accounting standards, competitive advantage, international integration, information asymmetry, digital traceability, management transformation, European integration, accounting and analytical systems.*

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**Олександра КУРІННА,**

здобувачка освітнього ступеня «Магістр»,

спеціальність 073 «Менеджмент»,

Національний Технічний Університет України «Київський Політехнічний інститут імені Ігоря Сікорського»

ORCID 0009-0008-9074-7752

email: [om11.kurinnaolexandra@gmail.com](mailto:om11.kurinnaolexandra@gmail.com)

**Віктор ЗАМЛИНСЬКИЙ,**

доктор економічних наук, професор кафедри обліку і оподаткування,

Одеський державний аграрний університет

ORCID 0000-0001-7642-2443

email: [zam.agrariy@gmail.com](mailto:zam.agrariy@gmail.com)

## **ФІНАНСОВА ПРОЗОРИСТЬ, БУХГАЛТЕРСЬКИЙ ОБЛІК ТА ESG-СТАНДАРТИ, ЯК ФАКТОРИ ФОРМУВАННЯ КОНКУРЕНТНИХ ПЕРЕВАГ ЕКОНОМІКИ УКРАЇНИ**

### **Анотація**

**Актуальність.** У статті досліджується вплив фінансової прозорості та стандартів бухгалтерського обліку на формування конкурентних переваг України в умовах глобальної еко-

номічної інтеграції. Розглянуто ключові міжнародні стандарти фінансової звітності — GAAP та IFRS, здійснено їх порівняльний аналіз, а також проаналізовано особливості фінансової звітності в Україні. Особливу увагу приділено ролі прозорості у зменшенні інформаційної асиметрії, зміцненні довіри інвесторів та зниженні вартості капіталу. Встановлено, що гармонізація стандартів бухгалтерського обліку та впровадження принципів прозорості є необхідними передумовами інтеграції економіки України у міжнародний ринок, підвищення її інвестиційної привабливості та зміцнення позицій у глобальній економіці.

**Мета роботи** полягає в обґрунтуванні ролі фінансової прозорості та стандартів бухгалтерського обліку у формуванні конкурентоспроможності України на міжнародному ринку.

**Методи.** Діалектичний метод і системний підхід застосовано для дослідження взаємозв'язку між якістю фінансової звітності та міжнародною конкурентоспроможністю держави. Порівняльний аналіз використано для зіставлення стандартів GAAP і IFRS, а також для оцінювання відмінностей у рівнях інституційної зрілості та регуляторної готовності до впровадження ESG в Україні порівняно з країнами ЄС. Методи синтезу та моделювання застосовано для формування стратегічного прогнозу трансформації систем управління підприємствами на основі впровадження цифрової простежуваності. Методи логічного узагальнення використано для обґрунтування ролі прозорості у зниженні інформаційної асиметрії та вартості залученого капіталу.

**Результати.** За результатами дослідження сформовано стратегічний прогноз трансформації систем управління на основі фінансової прозорості, обліково-аналітичних систем та стандартів ESG. Встановлено, що впровадження стандартів ESG в Україні має складний і нерівномірний характер, у зв'язку з чим проаналізовано труднощі їх імплементації, зумовлені значними міжкраїновими відмінностями у рівнях економічного розвитку, інституційної спроможності та регуляторної зрілості. Поєднання ринкових і державних інструментів підтримки визначено пояснено як ключову передумову прискорення ESG-трансформації та підвищення конкурентоспроможності національної економіки.

**Практична цінність дослідження.** Обґрунтовано доцільність переходу на міжнародні стандарти не лише як формальної вимоги, а як інструменту зниження вартості капіталу та залучення стратегічних інвестицій. Запропоновано комбінований підхід (ринкові інструменти + державна підтримка) для прискорення ESG-трансформації, що є критично важливим для виконання умов європейської інтеграції та доступу до структурних фондів ЄС. Також описано модель цифрової простежуваності, яка дає змогу аграрному та промислому секторам інтегруватися до ланцюгів створення вартості ЄС із дотриманням вимог екологічного та соціального моніторингу.

**Висновки.** Фінансова прозорість, розвинені обліково-аналітичні системи та впровадження стандартів ESG формують стратегічну основу трансформації управління підприємствами. Інвестиційна привабливість дедалі більше залежить від якості звітності та рівня довіри інвесторів. Цифрова простежуваність забезпечує інтеграцію до єдиного ринку ЄС, а орієнтація на сталі, високорентабельні бізнес-моделі створює довгострокові конкурентні переваги.

**Ключові слова:** фінансова прозорість, стандарти бухгалтерського обліку, конкурентна перевага, міжнародна інтеграція, інформаційна асиметрія, цифрова простежуваність, трансформація менеджменту, європейська інтеграція, обліково-аналітичні системи.

**Introduction.** In today's global economic environment, a country's competitive advantage depends not only on natural resources or cheap labour, but also on intangible assets: institutional quality, investor confidence and transparency of the business environment. Financial transparency and high-quality accounting standards are key

elements of this system, as they ensure the reliability of information for decision-making, reduce risks and lower the cost of capital. The issue of financial transparency has been and continues to be studied by a wide range of scholars, international organisations and non-governmental institutions, such as the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Committee (IASC). In Ukraine, the central body responsible for combating the legalisation of proceeds from crime is the State Financial Monitoring Service of Ukraine.

**Analysis of recent research and publications.** The scientific literature on accounting, sustainable reporting and financial transparency [1-8] shows that the quality of accounting and disclosure has a direct impact on investment decisions, risk management and capital efficiency. For example, the study by Bushman & Smith [1] summarizes how the transparency of financial information affects productivity and investment through corporate control mechanisms in organizations. In modern conditions, the transparency of financial and non-financial reporting is considered a “secret weapon” for building business trust, which contributes to access to capital and increasing the reputational value of companies. Empirical studies by Ukrainian and foreign scientists [2-8] show that high ESG indicators contribute to the growth of sales and margin, which is an element of sustainable competitive advantages. This is confirmed by the analysis of ESG efficiency on company data, where the relationship between ESG results and financial indicators is positive. Morgan Stanley research [14] notes that weak governance and accounting systems can undermine competitive advantage and destroy the value of companies, especially in the context of reputational ESG risks.

Practical analytical reviews [3-12] argue that ESG reporting not only ensures compliance, but also has the potential to create competitive advantages by informing strategic decisions, digitizing data, and transparent access to financial and non-financial measurements.

Recent research by Holovchak, H., et al. [7-13] considers ESG reporting as a tool for increasing business transparency in a global environment and a key to attracting investors and supporting sustainable development. Analysis of Ukrainian companies and the financial sector emphasizes the role of ESG strategies in risk management, reputation building, and increasing the attractiveness of financing, which is critical for competitiveness. Research on the formation of ESG reporting standards (e.g., GRI) emphasizes the need to harmonize ESG metrics for comparability and transparency, which is directly related to the competitive position in international markets. A review of models for assessing ESG competence of individual companies emphasizes that ESG activities are becoming a priority element of modern management strategies aimed at ensuring sustainable development and competitive advantages. Theoretical and practical sources confirm that disclosure of ESG data is important for building investor

confidence and reducing financing costs, as investors use ESG metrics to assess risks and long-term sustainability of the business. International studies (e.g., CSR disclosure during periods of geopolitical turmoil) show that high non-financial transparency can mitigate the negative impact of external risks on market quality. The generalization of the results of domestic and foreign research shows that the implementation of ESG standards is a long-term evolutionary process of institutional transformation, the effectiveness of which is determined by a combination of global trends and national prerequisites. International scientific literature mainly interprets ESG as a strategic tool for increasing long-term competitiveness, focusing on the interrelationship of sustainability, access to capital, risk reduction and the formation of corporate reputation in the face of global challenges and regulatory pressure. At the same time, Ukrainian researchers focus on the adaptive dimension of ESG, viewing it through the prism of limited financial resources, military risks, institutional instability and the need for state support. Thus, ESG standards in the Ukrainian context require further research not only as a tool for strategic development, but also as a mechanism for economic sustainability and integration into the European economic space, which requires flexible, phased implementation models taking into account industry specifics and real business opportunities.

A generalization of modern scientific approaches and empirical data allows us to identify several key areas. Financial and non-financial transparency as a basis for competitive sustainability: transparency in reporting increases investor confidence, reduces information asymmetries and helps reduce capital costs. ESG standards directly affect competitiveness through their impact on financial results, risks and reputation. ESG reporting goes beyond compliance and becomes an element of a strategy for competitive differentiation and sustainable development. Ukrainian context as a case example: national studies [18-24;28] confirm the importance of ESG and transparent reporting for adaptation to European standards, access to financing and increasing competitiveness in the international market.

Many scholars have also contributed to the understanding of the importance of transparency, including researchers who have studied the impact of transparency on capital markets, corporate governance and economic efficiency: Luca Pacioli, who lived in the 15th century, whose work on double-entry bookkeeping laid the foundations for modern accounting, which is the basis of financial transparency; Robert M. Bushman and Abbie J. Smith [1] – researched the relationship between financial reporting transparency, financial information and corporate governance; Christian Leuz – studies how transparency affects the functioning of markets; Gerald H. Lander and Kathleen A. Auger [16] – researched the problem of insufficient transparency in financial reporting and how companies use accounting rules to limit it. It is also worth mentioning non-governmental organisations and think tanks engaged in transparency research: the Financial Transparency Coalition (FTC), Publish What You Fund, Transparency International and others.

**The purpose** of this work is to substantiate the role of financial transparency and accounting standards in shaping Ukraine's competitiveness in the international market.

**Presentation of the main research findings.** Based on these studies [17;25;30], a general definition of financial transparency can be formulated as: financial transparency is the level of openness, completeness and reliability of data on the financial condition and performance of enterprises, which enables independent assessment and informed economic decisions. The elements of financial transparency are:

- Quality – data must be reliable, understandable and comply with standards;
- Accessibility – data must be publicly available;
- Corporate governance – ensuring independent control over finances and operations;
- Information policy – providing regular information on financial status and key events.

Transparency cannot exist without a unified system of rules. Accounting standards are the foundation of financial transparency. They provide uniform rules for the recognition, measurement and presentation of financial information, making reports understandable, comparable and reliable for investors, creditors and other stakeholders, allowing them to objectively assess the financial condition and performance of an enterprise. The international community recognises two main accounting systems: GAAP and IFRS [26;27;29], but each country also has its own standards.

GAAP (Generally Accepted Accounting Principles) – accounting standards developed by the Financial Accounting Standards Board (FASB) in the United States of America, are strict, detailed rules that provide legal certainty and high investment confidence. The main goal of GAAP is to ensure that financial information is reliable, understandable and consistent for all users, from investors to regulators. The American capital market is considered the most attractive in the world due to its high level of transparency, audit quality control and mandatory GAAP reporting, while the developed institutions of the SEC and PCAOB guarantee investors protection and risk minimisation. Among the main functions of GAAP are:

- Standardisation – guarantees uniform accounting rules and makes it easy to compare reports.
- Reliability – guarantees the accuracy of information in reports, enabling informed decision-making.
- Regulation – the Securities and Exchange Commission ensures control over reporting.

IFRS (International Financial Reporting Standards) is a set of guidelines and standards for financial reporting by companies around the world. IFRS was created to increase the transparency, comparability and reliability of financial data. Quite often, countries choose this type of accounting to facilitate easier access to international markets for businesses and attract investment from external investors.

For European Union countries, transparency is reinforced by non-financial reporting requirements (ESG), which form a new approach: companies must demonstrate not only financial results, but also environmental and social responsibility. This increases the transnational competitiveness of enterprises [30]. ESG (Environmental, Social, Governance) is a system of criteria for assessing a company's sustainability and ethics, covering its impact on the environment (E), attitude towards society (S) and quality of governance (G), helping investors and stakeholders to see the real responsibility of business beyond financial indicators. The idea of ESG can be described as follows:

- E – How does the company interact with nature? – ensures safe waste disposal, regulates carbon footprint, etc.;
- S – How does the company interact with people? – provides decent working conditions and protects human rights;
- G – How is the company managed? – how transparent are the company's activities, how is corruption combated, what is the company's management structure, etc.?

The main difference between GAAP and IFRS is that the former is based on clear rules that must be followed, while IFRS is more flexible, providing principles that should be followed and focusing primarily on the economic substance of the activity.

In the context of international standards, Ukraine uses IFRS in conjunction with National Accounting Regulations (Standards). In addition, regulatory legislation has been developed, namely the Law of Ukraine [15] «On Accounting and Financial Reporting in Ukraine», which defines the legal basis on which the accounting system operates as a whole. Currently, the country is in a transitional phase to IFRS, so reporting in accordance with international standards is mandatory only for large enterprises that are of public interest, such as large joint-stock companies or critical industries such as mining, small and micro-enterprises, as well as non-profit organisations, which may submit reports in accordance with NAP(S)A.

Based on the above, a comparative table for global accounting standards can be created and the advantages and disadvantages of each approach can be considered.

Based on the comparative analysis, we can answer the question: how will the transparency of the financial system of Ukrainian enterprises help to form Ukraine's competitive advantage in the international market?

First and foremost, financial transparency builds trust in the country's economy. In the current context of development focused on European integration and the need to attract foreign investors, transparency and openness of financial information is becoming a fundamental basis for the stability and predictability of economic activity in the Ukrainian market. Open and reliable reporting will ensure the effective functioning of market mechanisms, which will reduce information asymmetry and create the conditions for strengthening Ukraine's position in terms of international competitiveness.

Table 1

**Comparison of accounting standards in the context of global interaction and integration**

Criterion	USA	EU	Ukraine
Standard	GAAP	IFRS+ESG	IFRS+ NAP(S)A
The essence of the approach	Rules-based	Principles-based	Hybrid – rules- and principles-based
Objective	Meeting the needs of investors and creditors for transparency in the company's financial activities – focus on the capital market	Providing necessary information for investors – focus on the capital market	IFRS: meeting investors' needs for financial transparency NAP(S)A: focus on fiscal objectives (tax accounting) and protection of creditors' interests
Regulator	Securities and Exchange Commission; Financial Accounting Standards Board	European Commission; International Accounting Standards Board	Ministry of Finance of Ukraine; International Accounting Standards Board; National Securities Commission

*\*Note: Compiled by the authors*

Table 2

**Comparison of the advantages and disadvantages of international accounting standards with Ukrainian experience**

	Advantage	Disadvantage
GAAP	Clarity and detail High level of coordination between companies Formal proof of transparency Focus on the capital market Long history	Complexity and bureaucratic burden Formal compliance without understanding the essence Inflexible Isolated from global trends (need for dual reporting)
IFRS	Focus on substance, not rules Flexible and professional understanding Global integration Investor orientation Concise and less demanding	High probability of differences complicates comparison Subjectivity Requires a deep understanding of business and ethics Different interpretations of the same principle are possible
Ukraine IFRS+ NAP(S)A	A simple and straightforward system for small businesses Closely linked to tax accounting Does not require costly investments in implementation	No focus on the economic substance of transactions Not informative for investors Difficult to compare accounting under NAP(S)A and IFRS

	Advantage	Disadvantage
	Low rate of change	NAP(S)A – a barrier to entering international markets Outdated system not adapted to modern market conditions

*\*Note: Compiled by the authors*

An important aspect is that transparency in financial activities increases a country's investment attractiveness. Financial reports that are understandable and consistent with international standards enable potential investors to assess risks, returns and financial stability with greater objectivity. Reducing uncertainty will encourage new foreign investment, which in turn will lower the cost of capital and increase the competitiveness of Ukrainian businesses in the international context. Experience shows that the higher the level of transparency in a country, the lower the risk premium requirements, which creates a strategic advantage in accessing financial resources.

It should also be noted that Ukraine's transition to international financial reporting standards will significantly facilitate its integration into global economic processes [31;32]. Harmonisation with European Union accounting standards will reduce transaction costs for foreign counterparties, improve the comparability of reporting and help Ukrainian companies become part of global value chains. The preparation of financial statements in accordance with IFRS will make companies more predictable and understandable to the international community, which will only increase the competitiveness of Ukrainian businesses in foreign economic activity and attract new investments. At the same time, the results of the study show that the process of implementing ESG standards remains complex and uneven, which is due to significant inter-country differences in the level of economic development, institutional capacity and regulatory maturity. High initial costs of adapting ESG approaches, limited access to financial resources and insufficient awareness of entrepreneurs about the long-term economic benefits of ESG integration significantly hinder the scaling of sustainable practices. Additional barriers are the fragmentation of the ESG monitoring infrastructure, the lack of standardized data and the weak role of the state in shaping the system of incentives and benefits for responsible business. At the same time, the development of financial instruments for sustainable financing, in particular "green" and social bonds, demonstrates significant potential as a mechanism for mobilizing capital for sustainable development projects. In this context, the formation of a favorable regulatory environment and a combination of market and state support instruments are a key prerequisite for accelerating ESG transformation and increasing the competitiveness of the national economy.

Another factor is promoting confidence in national financial markets and the banking sector. Clear and reliable information about the financial condition of enterprises will reduce systemic risks and stimulate the development of effective

corporate governance, as well as increase the stability of financial institutions. Transparency in the mechanisms for assessing assets and liabilities, disclosure of risks and details of financial transactions will help to create an institutional environment that meets the requirements of international organisations and promotes the development of capital markets. This will increase the ability of national businesses to attract credit and debt resources on more favourable terms.

In addition, reducing the shadow economy is a direct consequence of increasing the transparency of financial transactions. The introduction of reporting and compliance control mechanisms and regular audits will significantly affect the quality of data in the financial accounting system. A healthy market environment, regulated by the rules of market competition, will help to increase productivity in enterprises and improve the efficiency of resource use, while the positive institutional image of the state, based on transparency, will serve as an additional competitive advantage in global markets.

That is why financial transparency is a factor of comprehensive influence that will help Ukraine compete in international markets. It will ensure an increase in investment attractiveness, increase access to external resources, promote integration into global economic processes, and reduce systemic and corruption risks – all of which contribute to a positive image for Ukraine on the international stage. Together, we will gain a sustainable long-term competitive advantage that will open up new opportunities for the development of the national economy in the context of globalisation and integration.

**Conclusions.** Financial transparency is a strategic factor in a country's competitiveness in the global market. The analysis showed that accounting standards determine the quality, completeness and comparability of financial information, thereby influencing investor confidence and the effectiveness of market mechanisms. The GAAP model is characterised by a high degree of formalisation and legal certainty, while IFRS standards guarantee flexibility and focus on the economic nature of transactions and, equally importantly, on the easy comparability of reports. From the point of view of financial accounting, Ukraine is in the process of transformation. Compliance with international requirements will not only have a positive impact on the integration of Ukrainian business into international markets, but will contribute to attracting foreign investment. This will contribute to the development of the domestic capital market, strengthen confidence in the financial system and improve its international reputation. In the perspective of the coming decade, management based on the transparency of financial and management accounting, analytical reliability of data and sustainable (ESG) reporting will undergo a fundamental transformation. It is gradually evolving from a tool for short-term profit optimization to the foundation for the formation of a new economic ecosystem focused on long-term sustainability, trust and integration into global value chains.

In this context, financial transparency and accounting standards cease to perform a purely control or regulatory function and acquire the status of a key intangible asset that

determines the competitive position of the enterprise, industry and national economy as a whole.

The forecast for the development of Ukrainian enterprises in the specified time horizon is based on three interrelated strategic vectors. In 2025–2035, the implementation of internationally recognized accounting, auditing, quality and ESG reporting standards will be transformed into an “entry ticket” to the global financial market. For Ukrainian enterprises, especially in the agricultural sector, this will be crucial given the need for large-scale post-war reconstruction of fixed assets, limited domestic sources of capital, and the growing selectivity of international investors. The availability of certified accounting systems, proven traceability, independent audit, and ESG profile will allow enterprises to attract preferential “green” financing, reduce the cost of debt capital, and increase credit ratings and investment confidence. In scientific terms, this means a transition from ex post financial efficiency to ex ante investment attractiveness, when transparency and responsibility become a prerequisite for access to resources, rather than a consequence of growth. The second strategic vector is associated with the digitalization of accounting and analytical systems and certification of supply chains, which creates the conditions for full traceability of products “from field to consumer.” In the near future, this creates the prerequisites for the integration of Ukrainian enterprises into the single digital market of the European Union, where financial, non-financial and environmental information becomes part of the commodity value, and the consumer gains access to data on the origin, safety and carbon footprint of products through digital tools (QR codes, blockchain solutions); trust is formed not through the brand, but through verified data.

In this context, accounting and analytical systems are transformed from an internal management tool into an infrastructure element of the market, without which participation in international trade becomes impossible. The third vector is associated with the strategic restructuring of business models. In the horizon of 10 years, enterprises that invest in financial transparency, quality standards and ESG will have the opportunity to move from exporting raw materials to producing niche, certified and high-margin products; integrate into specialized segments of European markets; reduce dependence on the volatility of world stock prices.

From a scientific point of view, it is about shifting competitive advantage from a factor (resource) model to an institutional and reputational one, where the decisive role is played not by the scale of production, but by the quality of management, transparency and sustainability. Over the next decade, management based on financial transparency, reliable accounting and ESG standards will become a key institutional safeguard against military, economic and market risks. For Ukraine, this means the possibility of transforming enterprises: from local producers to integrated participants in global value chains; from price competitors to suppliers of trust, quality and sustainability.

In a broader macroeconomic dimension, financial transparency and ESG standards form the long-term competitive advantage of the Ukrainian economy, laying

the institutional foundation for its full integration into the economic space of the European Union, where quality guarantees not only profit, but also economic stability and strategic subjectivity.

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