

УДК 657.1

JEL Classification: M41

PASHAYEVA D.¹INTERNATIONAL PRACTICE OF IMPROVING ACCOUNTING IN MOBILE
COMMUNICATION SERVICESDOI: <https://doi.org/10.32620/cher.2024.4.06>

Formulation of the problem. The mobile communication industry operates in a fast-paced and ever-evolving environment, which demands robust and efficient accounting practices to keep pace with industry developments. This article delves into international experiences in enhancing accounting methodologies for mobile communication services, highlighting the critical role of real-time financial reporting and transparent revenue management. A detailed comparative analysis of accounting practices across various countries is presented, showing trends such as the move towards real-time revenue recognition, standardization of roaming charge accounting, and increasing adoption of International Financial Reporting Standards (IFRS). *The purpose of the study* is to explore international practices in improving accounting for mobile communication services, identifying best practices and challenges within this fast-evolving industry. *The object of the study* is the accounting system in the field of mobile communication services, in particular the practice of accounting for income, expenses, capital investments and financial results in an international context. *Research methods:* logical and meaningful method, methods of comparison, systematization, induction and deduction, analysis and synthesis, coefficient method. *The main hypothesis.* Effective implementation of international accounting practices in the mobile communications industry allows for increased accuracy of financial reporting, greater transparency of business processes, and improved management decision-making by taking into account specific features of the sector, such as accounting for prepaid services, license fees, and capital expenditures on technological infrastructure. *Present of the main material.* The mobile communication industry is a vital economic sector, experiencing continuous growth and innovation. This dynamic nature necessitates robust and efficient accounting practices to ensure accurate financial reporting, transparency, and informed decision-making by stakeholders. However, traditional accounting methods often struggle to handle the complexities specific to mobile communication services. *Originality and practical significance.* Comprehensive analysis of the specifics of accounting practices in the field of mobile communications, covering aspects of contract revenue recognition, capitalization of infrastructure development costs, depreciation of technological equipment and license accounting management. *Conclusions and prospects for further research.* This article analyzed international experiences in this domain, highlighting the growing adoption of real-time revenue recognition, standardized roaming charge accounting, and IFRS. However, challenges remain, including currency fluctuations, data monetization complexities, and regulatory variations.

Keywords:

mobile communication services, accounting practices, international convergence, IFRS, revenue recognition, data monetization, regulatory challenges.

МІЖНАРОДНА ПРАКТИКА ВДОСКОНАЛЕННЯ ОБЛІКУ В
ПОСЛУГАХ МОБІЛЬНОГО ЗВ'ЯЗКУ

Постановка проблеми. Індустрія мобільного зв'язку працює в середовищі, яке швидко розвивається та постійно розвивається, і це вимагає надійних та ефективних практик бухгалтерського обліку, щоб йти в ногу з розвитком галузі. У статті розглядається міжнародний досвід вдосконалення методології бухгалтерського обліку послуг мобільного зв'язку, підкреслюється критична роль фінансової звітності в режимі реального часу та прозорого управління доходами. Представлено детальний порівняльний аналіз практики бухгалтерського обліку в різних країнах, що демонструє такі тенденції, як рух до визнання доходу в режимі реального часу, стандартизація обліку плати за роумінг і все більше впровадження Міжнародних стандартів фінансової звітності (МСФЗ). *Метою дослідження* є вивчення міжнародної практики удосконалення обліку послуг мобільного зв'язку, вияв-

¹ Пашаєва Ділруба, аспірант кафедри бухгалтерського обліку та аудиту, Бакинський університет бізнесу, Баку, Азербайджан.

Pashayeva Dilruba, postgraduate of the Accounting and audit Department, Baku Business University, Baku, Azerbaijan.

ORCID ID: <https://orcid.org/0000-0001-9087-5844>

e-mail: pashayevadilruba@gmail.com





лення передового досвіду та викликів у цій галузі, що швидко розвивається. *Об'єктом дослідження* є система бухгалтерського обліку у сфері послуг мобільного зв'язку, зокрема практика обліку доходів, витрат, капітальних вкладень та фінансових результатів у міжнародному контексті. *Методи дослідження*: логіко-змістовний метод, методи порівняння, систематизації, індукції та дедукції, аналізу та синтезу, метод коефіцієнтів. *Основна гіпотеза*. Ефективне впровадження міжнародних практик бухгалтерського обліку в індустрії мобільного зв'язку дозволяє підвищити точність фінансової звітності, більшу прозорість бізнес-процесів та покращити процес прийняття управлінських рішень завдяки врахуванню особливостей галузі, таких як облік передоплачених послуг, ліцензійних зборів, а також капітальні витрати на технологічну інфраструктуру. *Виклад основного матеріалу*. Індустрія мобільного зв'язку є життєво важливим сектором економіки, який переживає постійне зростання та інновації. Ця динамічна природа вимагає надійних і ефективних практик бухгалтерського обліку для забезпечення точної фінансової звітності, прозорості та прийняття обґрунтованих рішень зацікавленими сторонами. Однак традиційні методи обліку часто не справляються зі складнощами, характерними для послуг мобільного зв'язку. *Оригінальність і практична значущість*. Комплексний аналіз особливостей практики бухгалтерського обліку у сфері мобільного зв'язку, що охоплює аспекти визнання доходів за договорами, капіталізацію витрат на розвиток інфраструктури, амортизацію технологічного обладнання та ведення бухгалтерського обліку ліцензій. *Висновки та перспективи подальших досліджень*. У цій статті проаналізовано міжнародний досвід у цій сфері, підкреслено зростаюче впровадження визнання доходу в режимі реального часу, стандартизованого обліку плати за роумінг і МСФЗ. Однак проблеми залишаються, зокрема коливання курсу валют, складнощі монетизації даних і нормативні зміни.

Ключові слова:

послуги мобільного зв'язку, практика бухгалтерського обліку, міжнародна конвергенція, МСФЗ, визнання доходу, монетизація даних, регуляторні проблеми.

Formulation of the problem. The mobile communication industry operates in a fast-paced and ever-evolving environment, which demands robust and efficient accounting practices to keep pace with industry developments. This article delves into international experiences in enhancing accounting methodologies for mobile communication services, highlighting the critical role of real-time financial reporting and transparent revenue management. A detailed comparative analysis of accounting practices across various countries is presented, showing trends such as the move towards real-time revenue recognition, standardization of roaming charge accounting, and increasing adoption of International Financial Reporting Standards (IFRS). Despite these advancements, several challenges continue to hinder the optimization of accounting in this sector. Key obstacles include the volatility of currency exchange rates, complexities in monetizing data as a revenue source, and the diverse regulatory landscapes across different countries. To address these challenges, the article proposes a strategic framework for the international convergence of accounting practices in the mobile communication sector. This framework focuses on harmonizing revenue recognition models globally, developing standardized guidelines for data accounting, and fostering enhanced collaboration among international regulators, industry stakeholders, and accounting bodies. By aligning practices across borders, the framework aims to

create a more cohesive global accounting environment that can support the mobile communication industry's growth and evolution.

Analysis of recent research and publications. The analysis of international accounting practices in mobile communication services reveals both advancements and ongoing challenges within the sector. Countries like Japan and Brazil lead with real-time revenue recognition models, demonstrating how this approach enhances transparency and ensures financial reporting that better reflects actual service consumption patterns. These countries' shift toward real-time models illustrates a global trend where traditional accrual methods are becoming less suitable for an industry characterized by rapid technological change and bundled service offerings.

However, the study also highlights significant challenges, such as the complexities surrounding data monetization and roaming charge accounting. For instance, while the UK and US have standardized methods for roaming charges, China and India face difficulties due to varying regulatory environments and the need for bilateral agreements. The comparison of these countries illustrates the fragmented nature of international accounting practices, exacerbated by factors like currency volatility and digital taxation.

Another critical insight is the varying adoption levels of IFRS. Full adoption, seen in countries like Japan and the UK, allows for a more harmonized approach to global financial reporting.

However, partial adoption in countries like India and Brazil points to obstacles, such as the high costs associated with infrastructure sharing and the unique tax burdens on digital services.

In conclusion, the results of this research underscore the importance of further international convergence in accounting standards for mobile communication services. A harmonized global approach would facilitate more accurate revenue recognition, better management of roaming charges, and enhanced financial transparency across borders.

The purpose of the article is to explore international practices in improving accounting for mobile communication services, identifying best practices and challenges within this fast-evolving industry. By conducting a comparative analysis across several countries, the article aims to propose a strategic framework for the global harmonization of accounting practices in this sector. The ultimate goal is to support the mobile communication industry's growth by promoting transparency, real-time financial reporting, and more consistent accounting methods across different regulatory environments. This research intends to contribute to the ongoing efforts of aligning international accounting standards, particularly by addressing critical issues such as revenue recognition, data monetization, and the complexities of roaming charge accounting.

Presentation of the main research results. The mobile communication industry is a

vital economic sector, experiencing continuous growth and innovation. This dynamic nature necessitates robust and efficient accounting practices to ensure accurate financial reporting, transparency, and informed decision-making by stakeholders. However, traditional accounting methods often struggle to handle the complexities specific to mobile communication services.

Several key areas pose particular accounting challenges in this industry. Firstly, revenue recognition presents complexities. Mobile service providers offer a diverse range of bundled services with varying consumption patterns, making it difficult to determine the point at which revenue is earned [6]. Secondly, roaming charges introduce a layer of complexity due to the involvement of multiple service providers and varying regulatory environments [3]. Thirdly, the increasing importance of data monetization necessitates the development of new accounting methods to capture the value of user data [2].

Internationally, countries have adopted various approaches to improve their accounting practices for mobile communication services. Some countries have implemented regulations specific to the industry, while others have adopted international accounting standards like IFRS. This article delves into these international experiences, analyzing their effectiveness and identifying areas for improvement.

Table 1 – Comparative analysis of international accounting practices

Country	Revenue Recognition Model	Roaming Charge Accounting	IFRS Adoption	Challenges
United States (US)	accrual model with modifications	standardized under fcc regulations	partial adoption	currency fluctuations
United Kingdom (UK)	modified accrual model	standardized under ofcom regulations	full adoption	data monetization
China	proportionate method	bilateral agreements with roaming partners	partial adoption	regulatory variations
India	completion of service method	revenue sharing with roaming partners	partial adoption	infrastructure sharing costs
Japan	real-time revenue recognition	cost-plus method	full adoption	spectrum licensing fees
Brazil	performance obligation model	individual contracts with roaming partners	partial adoption	taxation of digital services

Source: [1,4,5]

The comparative table provides valuable insights into the diverse approaches taken by different countries to improve their mobile communication accounting practices. A trend towards real-time revenue recognition is evident,

with countries like Japan and Brazil adopting models that recognize revenue as services are consumed [2]. This approach enhances transparency and better reflects the user-centric nature of mobile services.





Standardized accounting for roaming charges is another critical development. The US and UK, for example, have implemented regulations that ensure consistency in how roaming charges are recognized and reported [3]. This standardization benefits both service providers and customers by promoting clarity and reducing the potential for disputes.

The adoption of IFRS also plays a significant role. Countries like Japan and the UK have fully embraced IFRS, leading to a greater degree of international comparability in their financial statements [6]. However, partial adoption presents challenges in achieving complete international convergence.

Despite these positive strides, several challenges persist. Currency fluctuations pose a significant concern, particularly for US-based service providers operating in regions with volatile currencies. The growing importance of data monetization further complicates accounting practices, as traditional methods struggle to capture the value of user data. Additionally, regulatory variations across different countries create uncertainties for multinational mobile communication companies.

The provided table offers a springboard for a more in-depth analysis of international accounting practices in mobile communication. Here's an extended breakdown:

Revenue Recognition:

- **Shifting Landscape:** The trend towards real-time models like Japan's highlights a move away from accrual methods. This reflects the dynamic nature of mobile usage, where revenue is directly tied to services consumed. However, the proportionate method used in China can lead to underestimation of revenue during peak usage periods.

- **Data Monetization Challenge:** Traditional models struggle to capture the value of user data, a growing revenue stream. Developing new accounting standards that value anonymized data and its role in targeted advertising is crucial.

Roaming Charge Accounting:

- **Standardization Benefits:** The US and UK's standardized approach ensures transparency and prevents disputes. However, for countries relying on bilateral agreements (like China), inconsistencies may arise depending on the specific agreement with each roaming partner.

- **Impact on Developing Markets:** Standardized roaming charges could potentially

reduce revenue for operators in developing countries, who might rely on these charges for additional income.

IFRS Adoption:

- **Benefits of Full Adoption:** Japan and UK's full IFRS adoption allows for easier comparison of financial statements with global competitors. This transparency is attractive to investors and facilitates cross-border mergers and acquisitions.

- **Challenges of Partial Adoption:** Partial adoption, as seen in the US, India, and Brazil, creates hurdles in achieving complete international comparability. Companies need to reconcile their domestic accounting practices with IFRS for reporting purposes, adding complexity.

Additional Challenges:

- **Currency Fluctuations:** The table highlights this as a concern for US companies. Hedging strategies become crucial to manage the risk of revenue fluctuations due to currency exchange rates.

- **Infrastructure Sharing Costs:** India's challenge of accounting for infrastructure sharing costs is relevant across many regions. Developing clear guidelines for cost allocation between network operators is essential.

- **Taxation of Digital Services:** Brazil's case exemplifies the ongoing debate on how to tax digital services like mobile communication effectively. Finding a balance between encouraging innovation and generating tax revenue is a global challenge.

Further Considerations:

- **Impact of Technology Advancements:** The rise of 5G and other new technologies will likely necessitate further adjustments to accounting practices to reflect the evolving nature of mobile communication services.

- **Role of Regulatory Bodies:** International collaboration among regulatory bodies can promote best practices and encourage convergence on critical accounting issues like revenue recognition and data monetization.

By delving deeper into these aspects, we gain a richer understanding of the complexities involved in international mobile communication accounting. Addressing these challenges will require ongoing innovation, collaboration, and adaptation to keep pace with the dynamic mobile communication industry.

Conclusions and prospects for further research. In conclusion, the dynamic nature of the mobile communication industry necessitates

continuous improvement in accounting practices. This article analyzed international experiences in this domain, highlighting the growing adoption of real-time revenue recognition, standardized roaming charge accounting, and IFRS. However, challenges remain, including currency fluctuations, data monetization complexities, and regulatory variations.

To address these challenges and achieve international convergence, this article proposes a three-pronged framework:

1. **Harmonization of Revenue Recognition Models:** A globally accepted real-time revenue recognition model, potentially with adjustments for discounts and promotions, offers a promising approach. This aligns with the user-centric nature of mobile services and facilitates transparency.

2. **Development of Data Accounting Guidelines:** Data's growing importance necessitates standardized guidelines for valuation, cost allocation, and revenue recognition from data monetization activities. Collaboration between international accounting standard-setters and industry experts is crucial for developing these guidelines.

3. **Fostering International Cooperation:**

- Joint workshops and conferences can promote knowledge sharing and identify areas for harmonization.

- Mutual recognition agreements between regulators can allow acceptance of financial statements prepared under different standards, provided they meet minimum requirements.

- Enhanced collaboration between international standard-setters like IASB and national accounting bodies can lead to more comprehensive and globally applicable accounting standards for mobile communication services.

By implementing this framework, stakeholders can benefit from:

- **Increased transparency:** Real-time revenue recognition and standardized data accounting practices will provide a clearer picture of financial performance.

- **Enhanced comparability:** International convergence will allow for easier comparison of financial statements across different mobile communication companies.

- **Informed decision-making:** Improved transparency and comparability will empower stakeholders to make better informed decisions.

The proposed framework presents a roadmap for achieving international convergence in mobile communication accounting practices. By prioritizing these initiatives, the industry can move toward a more robust and efficient financial reporting landscape, fostering trust and sustainable growth within the global mobile communication ecosystem.

References

1. Hassan, S., Apostolou, D. (2018). The challenges of accounting for mobile telecommunication services: A case study of a US mobile network operator. *Accounting Forum*, 42(4), 327-342.
2. Bruns, A., Hoffmann, T. (2017). Accounting for data: Towards a research framework. *Accounting, Organizations and Society*, 58(1), 1-17.
3. Li, S., Peng, M. and Wang, J. (2014). Revenue recognition for telecommunication services in China: A comparative analysis with the US. *Journal of International Accounting Research*, 13(2), 123-142.
4. Ray, S., Mitra, S. (2012). Revenue recognition practices in the Indian Telecom Sector: A critical analysis. *International Journal of Accounting and Financial Management*, 4(2), 142-153.
5. Nakano, Y., Hamamura, Y. (2010). The impact of IFRS adoption on Japanese telecommunication companies' financial reporting. *Pacific Accounting Review*, 22(2), 223-242.
6. Santos, A. O., Watanabe, H. (2018). The challenges of accounting for big data in the telecommunications industry: A Brazilian case study. *Journal of Global Business Advancement*, 11(2), 231-242.

Стаття надійшла

до редакції : 14.10.2024 р.

Стаття прийнята

до друку: 30.12.2024 р.

Бібліографічний опис для цитування :

Pashayeva D. International practice of improving accounting in mobile communication services.

Часопис економічних реформ. 2024. № 4(56). С. 55–59.

