

**U.S. Agency for International Development:  
Private Sector Accounting Reform in Ukraine**

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**QUARTERLY PROJECT PERFORMANCE REPORT  
Quarter Ending March 31, 2001**

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USAID Contract: PCE-I-00-98-00040-00  
Task Order: PCE-I-804-98-00040-00

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# USAID Private Sector Accounting Reform in Ukraine

## Quarterly Project Performance Report January - March 2001

### A. General Information

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Contract number: PCE-I-00-98-00040-00

Task Order: OUT-PCE-I-804-98-00040-00

Project performance dates: 10/01/99 - 05/30/01  
Report date: March 31, 2001

Cognizant Technical Officer: Hugh Haworth, USAID/Kyiv  
Project Manager: Thomas J. Tschetter  
Expatriate Advisors: Mary W. Hahn, Gary M. Scopes, Robert E. Bennett,  
George Drakey, Albert A. Hrabak, Susan Fenno

### Project Description:

The purpose of this project is to continue USAID assistance to the Government of Ukraine (GOU), the Ukrainian Federation of Professional Accountants and Auditors (UFPAA), private enterprises, accounting practitioners and other institutions to facilitate the transition of the legal and regulatory framework, education and training programs and the practice of accounting and auditing in Ukraine in accordance with international standards. These efforts should further develop the capacity of the private sector in Ukraine to attract investment and accurately measure performance.

Specific task order objectives are to: assist the Ministry of Finance (MOF) and UFPAA with the design and implementation of Ukrainian Accounting Standards (UAS) and Ukrainian Standards on Auditing (USA) that are compliant with international standards; convert the accounting practices of 700 enterprises to the new UAS and provide relevant training to enterprise financial managers; continue to support the development of UFPAA as a technically and financially self-sustainable SRO; provide focused training to users of the new Ukrainian enterprise financial statements; and implement new accounting curriculum and establish partnerships at higher educational institutions.

### B. Project Performance Report

#### Executive Summary

During the quarter, the Private Sector Accounting Reform Project made substantial progress in meeting the project benchmarks in each of the five task areas. Progress made during the period is detailed in the sections that follow this summary.

- Under Task 1, the project team advised the Chamber of Auditors in passing a resolution adopting International Standards on Auditing as the basis for National Standards on Auditing, representing a major breakthrough in the effort to develop auditing standards in Ukraine. Discussions began on the implementation of these new standards and the project began the translation of the ISA from English to Ukrainian. The project completed IAS compliance analyses for UAS 17 - Income Tax, and UAS 21 - Foreign Exchange, as well as the final set of specialized instructions (on foreign exchange transactions) requested by the MOF. The instructions and methodology for agricultural accounting were completed and sent to the Ministries of Finance and Agriculture. The development of accounting methodology and instructions for the insurance sector was begun. Options for completing the task to assist with the simplification of accounting rules for small businesses were reviewed.

Another important accomplishment was the agreement reached by the Chamber of Auditors, the Union of Auditors and UFPAA to work together to develop and implement a Common Certification Program to require all statutory auditors in Ukraine to take and pass a 12 course curriculum based on IFAC guidelines and the ACCA professional certification curriculum.

- For Task 2, the project received conversion documentation sets from 403 enterprises, raising the total number received to 739. The conversion team reviewed and approved for payment 361 document sets, raising the total number of reviewed and approved enterprise conversions to 587. An additional 5,000 Conversion Manuals were printed and distributed throughout the country. Day-to-day oversight responsibility for the conversion activity was transferred to the local conversion staff. Conversion follow-up activities continued.
- For Task 3, the project spent considerable time working with the Union of Auditors, Chamber of Auditors and UFPAA to develop a Common Certification Program. A study tour to the U.S. was organized for members of the working group. A draft development plan for the certification program was prepared and discussed in detail with the counterparts and USAID. The project team also continued to work closely with UFPAA on training and certification priorities, the development and finalization of an annual budget and business plan, mandatory CPE requirement guidelines and chapter development issues.
- As part of Task 4, the project completed two sessions of the six-day audit engagement training course for statutory auditors and trained 98 participants. The project also trained 90 financial managers and deputy directors of converted enterprises in two sessions of the four-day managerial accounting training course. Plans were finalized to conduct three additional sessions of each course in four different locations.
- Under Task 5, the project worked with KNEU accounting faculty and administrators to review and modify the new undergraduate accounting curriculum model. The model was formally presented to the Accounting and Audit Section of the Scientific Methodological Commission on Economic Education and was approved in whole. The project completed a 10-day audit training seminar for 70 university accounting professors. The seminar was based on ACCA Paper 6 (Audit Framework) and was presented by two accounting professors from Indiana University under the auspices of the university partnership activities. The semester-long training program for the six Ukrainian accounting faculty got underway. The digital copiers ordered for the three partnership universities were received and delivered to the universities.

Also during the period, IBTCI personnel met several times with USAID representatives to review in detail the remaining tasks to be completed by the project and to prioritize the major areas of activity. A no-cost extension of the project contract was approved, extending the project's end date from March 31 to May 30, 2001. The project staff also provided information and suggestions relating to the continuation of accounting reform work in Ukraine to be conducted during the expected follow-on project to begin in June.

### Task 1. Legal and Regulatory Framework for UAS / USA

#### Progress on Benchmarks this Period:

*a) Facilitate the process of development and implementation of UAS/USA.*

The project team spent considerable time meeting with the Chamber of Auditors, the Union of Auditors and UFPAA to discuss approaches to adopting International Standards on Auditing (ISA) as the basis for the National Standards on Auditing for Ukraine. In January, the Chamber of Auditors used its legal authority granted by the Cabinet of Ministers and the Audit Law of 1995 and officially recognized ISA as the basis for the National Standards on Auditing. This action represented a major breakthrough in the effort to develop auditing standards in Ukraine and also helped avoid having to make additional frustrating attempts to promote the passage of new Audit Law amendments through the Rada. Following the Chamber's decision, the project team and the counterparts began to discuss the implementation of these new standards and the project also began work on the translation of the ISA into Ukrainian.

Two project elements that will help address the practical implementation and use of these new audit standards were begun during the quarter: the audit engagement training course, which will be offered to about 200 statutory auditors from around the country, and the new Common Certification Program being planned for all accountants and auditors. Both of these areas are discussed in more detail below.

The project has prepared IAS-compliance analyses for all adopted Ukrainian Accounting Standards and will continue to do so as new UAS are adopted by the Minister of Justice. During the quarter, UAS 17 - Income Tax, and UAS 21 - Foreign Exchange, were formally adopted and the project completed IAS compliance analyses of both standards.

*b) Support the implementation of the new chart of accounts.*

This benchmark was achieved during a prior quarter.

*c) Assist in designing directives and instructions to implement UAS/USA.*

The 17<sup>th</sup> and final special topic instructional guideline on which the project was requested to focus (Foreign Exchange Differences) was completed during the quarter following the adoption of the new UAS as mentioned in 1-a. The methodological instructions were submitted to the MOF, UFPAA and the Deputy Rector at KNEU. This benchmark has now been completed.

*d) Assist in developing industry-specific guidelines and instructions.*

Final distribution in January of IAS 41 - Agriculture, by the International Accounting Standards Committee enabled the project team, working closely with the Ministry of Agricultural Policy, to complete the development of an accounting methodology and instructional guidelines for agricultural accounting. The materials were delivered to the Ministry of Finance for use in developing either an accounting standard for the agriculture sector or methodological guidelines for use in financial accounting.

The second industry for which the project is to develop specific guidelines and instructions was determined, and the project team began developing an accounting methodology for the insurance sector. This is a complex accounting area that differs from other industry accounting and very little information is available from international sources. The project did locate some specialized studies done by the IASC on insurance accounting and began reviewing these materials and the normative laws concerning insurance accounting in order to develop an accounting methodology that will suit the insurance industry and conform to the Ukrainian legal framework.

*e) Assist the MOF and AED (now SCRPE) to update the simplified accounting rules for small businesses, based on the UAS.*

The project continued to review with SCRPE, UFPAA and USAID the assistance to be provided to develop simplified accounting rules for small businesses, without coming to any specific conclusions. The counterparts do not have a sense of urgency about making changes in this area. A review was made of the Moldovan small business initiatives, but the situation there is similar to that in Ukraine: undecided. The MOF and other government agencies do not enforce UAS 25 (financial statements for small business) and seem to encourage the use of the cash basis tax method for small businesses instead. The project will continue to discuss these issues with the counterparts to establish if there is real interest or need in determining specific small business accounting initiatives or if the project should, as an alternative, summarize the accounting methodology to be used for tax accounting by small businesses.

*f) Provide support to the Ministry of Statistics in the preparation of the annual statistical reports to bring them into compliance with UAS.*

This benchmark was completed during a previous quarter.

*g) Work with counterparts to establish the legal framework for licensing and certification of accountants and/or auditors.*

This benchmark was completed during a previous quarter. The project team continued to work to encourage greater cooperation between UFPAA, the Union of Auditors and the Chamber of Auditors on licensing and certification issues (see the Task 3-a review below).

Forecast for Next Reporting Period:

During the final months of the project, the project team will work on the following:

- a) Continue to work with the Chamber of Auditors, the Union of Auditors and UFPAA to implement the new National Standards on Auditing. The project will continue to prepare IAS compliance analyses for any newly adopted or drafted Ukrainian Accounting Standards.
- b) This benchmark has been completed.
- c) This benchmark has been completed.
- d) Complete the insurance accounting methodology.
- e) Finalize the work to be done on the small businesses accounting methodology issues.
- f) This benchmark has been completed.
- g) This benchmark has been completed.

Anticipated Coordination with Counterparts and Other Donors:

While cooperation and coordination with the MOF and the Accounting Methodology Board remained at a standstill, the project team has developed good relationships with the Chamber of Auditors, the Union of Auditors, UFPAA, the Ministry of Statistics, the Ministry of Agricultural Policy and SCRPE. The project also continued to work closely with the U.S. Treasury advisors, the DAI Buspro project, the American Chamber of Commerce and other related donor projects.

**Task 2. Conversion of Accounting Practices of 700 Selected Enterprises to New National Accounting Standards**

Progress on Benchmarks this Period:

- a) *Conversion of enterprises. Conversion shall take place at the recordkeeping level, not at the trial balance level. Develop a training, conversion and documentation system to promote and schedule training and conversion through UFPAA.*

Development of an enterprise training, conversion, and documentation program was completed during previous quarters.

The conversion team continued to accept and review enterprise conversion documents submitted by accounting consultants. During the January to March period, the project received 403 new enterprise conversion document sets, raising the total number of document sets received by the project to 739. The conversion team completed reviewing conversion documents for 361 additional enterprises and approved them for payment, raising the total number of reviewed and approved enterprise conversions to 587 at the end of March. When the quarter ended, document sets for 152 enterprises were in process, pending final review. If all of the pending document sets are reviewed and approved, the total number of approved conversions (739) will exceed the project benchmark of 700 enterprises.

By the end of the reporting period, 88 accounting consultants from 21 oblasts had earned Diploma #2, which is awarded when consultants provide conversion assistance to a minimum of two enterprises.

The project continued to cooperate with counterpart and other donor organizations. The Conversion Coordinator met with UMREP to develop a publicity strategy for 2001. Areas of possible cooperation were discussed, including publicizing success stories of enterprises participating in the conversion program and various training opportunities.

In January, USAID and project management determined that the conversion document submission and review processes were well established and operating in a manner that would not require significant additional effort from expatriate consultants. As a result, Conversion Manager Mary Hahn left the project in February and Elena Prokopenko was subsequently named Conversion Team Leader and assumed primary supervisory responsibility for the remaining conversion activities.

*b) Conversion training. Provide adequate training necessary for conversion and understanding applicable IAS requirements to UFPAA members, auditors and accountants of the enterprises to be converted.*

The conversion training benchmarks were achieved during the previous quarter.

*c) Conversion manual. Update the conversion manual as needed in accordance with the development of UAS.*

This benchmark was achieved during the previous quarter. However, demand for the Conversion Manual continued to be heavy and a second printing of 5,000 additional manuals was completed. Copies were provided to the regional SSMSC offices for distribution to open joint stock companies, to conversion consultants trained by the project, to accountants from non-participating enterprises on a walk-in basis, to the Ukrainian Ministry of Culture for their independent cultural enterprises, to the Ministry of Finance Department of Tax Methodology, to the USAID/Barents Tax Project for distribution to the State Tax Administration and to Winrock International's NIS-US Women's Consortium for distribution to their Ukrainian network of women-owned businesses. Recipients of the manual frequently mentioned the advantage of having all of the required information available in a one-volume reference. The Ukrainian and English versions of the Conversion Manual were made available for downloading from the project's website.

*d) Conversion follow-up. Provide adequate post-conversion consultation to enterprises converted.*

The conversion model developed by the project inherently includes post-conversion consultation and follow-up in completed conversion documentation. Documentation that participating enterprises correctly record enterprise activity for a period subsequent to conversion is required in the conversion model. Enterprises must also confirm in writing their continued use of the new accounting system.

The project continued site visits to enterprises participating in the conversion program. Conversion consultants from various parts of Ukraine also continued to visit the project to review enterprise conversions with the conversion accountants and to clarify proper accounting and documentation procedures. One of the most valuable components of the project conversion program has been the feedback given to accounting practitioners from throughout the country. This feedback extends beyond the accounting consultants to the enterprise accountants as well.

The project provided Conversion Manuals to the staff of the USAID UMREP Project telephone information hotline. IBTCI project staff then met with hotline staff and developed a plan by which project specialists can answer urgent or frequent questions from callers regarding the conversion issues.

Forecast for Next Reporting Period:

During the final months of the project, the project team will work on the following:

- a) Documentation of converted enterprises to verify the propriety of conversion to the new accounting system and the adequacy of post-conversion follow-up will continue.
- b) The training benchmarks have been achieved.
- c) The conversion manual benchmark has been achieved.
- d) Provisions to ensure adequate follow-up will continue.

Anticipated Coordination with Counterparts and Other Donors:

Cooperation and coordination with UFPAA remains very high and the project meets with their representatives on a regular basis. The project continues to maintain a very good relationship with the 150 accounting consultants/auditors employed to assist enterprises in the conversion process.

**Task 3. Support UFPAA as a Technically and Financially Self Sustainable SRO**

Progress on Benchmarks this Period:

- a) *Certification. Develop and implement an accounting and auditing certification program.*

The project team coordinated discussions between officials of UFPAA, the Chamber of Auditors and the Union of Auditors to facilitate the signing of a Memorandum of Agreement between the three organizations to jointly design, develop and implement a multi-level Common Certification Program (CCP) for professional accountants and auditors based on the ACCA model. The CCP will include the testing and training of accountants and auditors as well as certification of auditors or re-certification of auditors currently holding a Statutory Auditors Certificate. To formalize the development process, an Advisory Working Group (AWG) was formed consisting of two representatives from each organization. The project team facilitated numerous meetings of the AWG to discuss the various development and implementation aspects of the certification program.

The project produced and reviewed with USAID a draft development plan describing the conceptual approach to establishing the CCP. Projections were also prepared to determine how many trainers could be trained to deliver the program and how many auditors and accountants could be trained, given time and resource constraints of the next phase of the accounting reform project. The draft development plan and projections were translated into Ukrainian and provided to AWG members to serve as a basis for discussion on CCP design and implementation. Two AWG subcommittees were formed to focus on materials review and trainer selection issues.

IBTCI organized a study tour to the United States for members of the Advisory Working Group to give them the opportunity to meet with counterpart American organizations to better understand how those

organizations work together to promote a high level of competence in the accounting and audit profession and to discuss issues related to the development of the profession in Ukraine. Two representatives from each of the AWG organizations were included on the study tour. The organizations which participated in the study tour as hosts included the American Institute of CPAs, the Institute of Management Accountants, the New Jersey Society of CPAs, the New Jersey State Board of Accountancy, the Institute of Internal Auditors and the International Federation of Accountants. The project and the participants were very satisfied with the results of the trip. The participants all seemed to share the view that the Chamber, Union and UFPAA should be able to work together to achieve the common goals embodied in the CCP.

The CCP will initially train 120 trainers in a 12-course program that will lead to a professional certification. After the 120 instructors have completed the program, they will begin offering the same 12 courses to accountants and auditors throughout Ukraine. The implementation of the CCP is expected to begin during the project extension period, with the first courses for trainers scheduled to start in July 2001.

The efforts in this area were coordinated by Susan Fenno, who joined the project team in February.

*b) SRO financial sustainability. Continue to provide financial support to UFPAA and assist the SRO to revise and implement its annual business plan.*

The project team met several times with the Federation's Executive Director to discuss the development and authorization of the annual budget and the business plan. A draft basic budget prepared by UFPAA was reviewed and suggestions for improvement were provided. Additional suggestions on the creation and implementation of the business plan were also made. UFPAA's Board adopted the "basic budget" that was submitted.

Several deadlines for finalizing an appropriate business plan were missed and subsequent requests for information by the project were not met. A deficiency letter was prepared and sent to UFPAA, explaining where the Federation was not in compliance with the signed agreement with the project for funding and advising that the project would not release additional funds until the deficiencies were corrected. The project team worked with UFPAA to satisfy the conditions of the agreement and concluded that UFPAA had successfully begun to identify a plan to phase-out from USAID support by drafting a business plan linked to its proposed operating budget. The business plan addressed identification of appropriate revenue-generating options, estimation of costs and revenues associated with each option, quantification of the impact on the proposed annual budget and future year estimates and appeared to be consistent with UFPAA's Strategic Plan. UFPAA has adopted a process for annual business plan development tied to budget development process and they have elaborated timeframes and responsibility for drafting, submission to the board, revision per board decisions and final adoption of the business plan. The Federation still lacks concrete identification of required resources and of how elements of the business plan will be implemented. The project provided recommendations and suggestions which UFPAA indicated they would work to incorporate.

*c) Ethics and continuing education. Assist UFPAA to publish guidance on interpretation of the ethics code; train UFPAA leaders in ethics; assist UFPAA with ability to enforce ethics code and investigate cases; and assist with development of mandatory CPE requirements for certification.*

The ethics elements of this task were completed during a previous quarter. The project requested that UFPAA provide documentation of the implementation of the ethics interpretations approved by the Ethics Committee and of ethics training conducted.

A draft CPE "statut" was prepared and submitted to UFPAA. This draft was based on the new draft CPE standard developed jointly by the AICPA and NASBA in the United States. Discussions were held with the chairperson of the Education Committee on breaking the Federation's week-long training courses into components, upgrading them with additional ACCA materials and offering them as a series of discreet topics that could be self studied or taken as a one or two day course, increasing the number of professionals who could benefit from high-quality materials based on the amount of time they have. Further discussions were held concerning the regulatory framework of providing and recognizing CPE as suitable for maintaining certification in a professional field. Examples of the "Uniform Accounting Act" provisions for administering CPE programs and CPE program providers were supplied to several officers of the Federation and to the chairperson of the Chamber of Auditors.

*d) International liaison. Assist UFPAA with admittance to IFAC as an associate member (at least) and to play an active role within the newly formed NIS Regional Federation.*

The benchmark for IFAC membership was completed during a prior quarter.

*e) Local chapter development. Work with UFPAA to build or strengthen local chapters.*

Follow up meetings were held to further discuss the situation pertaining to regional chapter management and the deficiencies cited by the Federation Revision Committee Chairman at the annual meeting in December. The Executive Director explained the function of the Revision Committee and reviewed financial documentation procedures related to regional chapter expenses, the transfer of project financial assistance to the regional chapter accounts and the use of those transfers by the chapters. The SRO consultant prepared draft officer candidate election policies for the Federation and submitted them for review and consideration.

#### Forecast for Next Reporting Period:

During the final months of the project, the project team will work on the following:

- a) Development of the CCP will continue.
- b) Assistance to UFPAA will continue.

#### Anticipated Coordination with Counterparts and Other Donors:

The project continued to have a strong relationship with UFPAA and will continue to meet with them on a regular basis to continue joint activities. The project team will continue to work closely with UFPAA and with the Chamber of Auditors and the Union of Auditors to address development and implementation issues related to the new Common Certification Program.

**Task 4. Provide Focused Training for Users of Financial Statements, Auditors and Enterprise Financial Managers**

Progress on Benchmarks this Period:

- a) *Training based on specific user needs. Train professional employees of the Securities and Stock Market State Commission, stock exchanges and brokerage houses in the use of financial statements for due diligence and oversight; train tax inspectors in the use of financial statements for determining taxable income or loss.*

At the request of the Ministry of Statistics, the project presented a second training course to ministry staff on the analysis of Ukrainian financial reports, substantially exceeding the benchmark for this task.

- b) *Audit engagement training through UFPAA. Train auditors and prospective auditors in audit engagement practices.*

The project team finalized preparations to conduct audit engagement training courses for Statutory Auditors from throughout Ukraine. The first two sessions of the six-day course were presented in Kyiv and Donetsk and nearly 100 practitioners participated. The first session was presented by a senior audit partner of KPMG's Moldova practice who had presented the course before through the Moldovan accounting SRO and the second session was conducted by two very well trained local auditors who attended the first course. Following the review of participant evaluations of the first session, minor changes were made and additional materials were included for the second and subsequent sessions of the course. Each participant received a copy of the Russian version of the International Standards on Auditing. Evaluations of the course by the participants were positive. Three additional sessions of the course, to be conducted by local professors trained by the project, were scheduled for April in Dnepropetrovsk, Ternopol and Sebastopol. The project will surpass the audit engagement training benchmark by a considerable margin, especially when the 50 UFPAA auditors trained by the project last year are included in the total.

- c) *Managerial accounting training through UFPAA. Train enterprise financial managers in management accounting concepts, cost accounting, planning and control and inventory control.*

The project team worked with UFPAA to develop a training course on managerial accounting issues to be offered to financial managers of converted enterprises. Two sessions of this four-day course were conducted during the period, the first in Kyiv and the second in Donetsk. A total of 90 enterprise financial managers or deputy directors participated in these two sessions. Instructors for the courses were selected from the large pool of university accounting professors who had attended the project's two-week seminar on ACCA Paper 3 - Managerial Accounting. Three additional sessions of this course were scheduled for April in Dnepropetrovsk, Lviv and Sebastopol and the project will exceed the benchmark for managerial accounting training.

- d) *Ethics training. Train key UFPAA members, including those at local chapters, in the code of ethics.*

This benchmark was completed during a previous quarter.

Forecast for Next Reporting Period:

During the final months of the project, the project team will work on the following:

- a) Completion of three additional sessions of the audit engagement training course.
- b) Completion of three additional sessions the managerial accounting course.

Anticipated Coordination with Counterparts and Other Donors:

The project team will continue to work closely with UFPAA, the SSMSC and other projects and donor organizations to identify training opportunities and conduct the training.

**Task 5. New Accounting and Audit Curriculum and Partnerships at Higher Educational Institutions**

Progress on Benchmarks this Period:

- a) *New curriculum. Assist the Academic Curriculum Board to develop and institute a new UAS/USA-based undergraduate accounting and audit curriculum for higher educational institutions; select three higher educational institutions to assist with the adoption of the new curriculum; assess the existing curriculum; conduct seminars on the new curriculum model; and equip the selected institutions with the proper training materials.*

Discussions on the new undergraduate accounting curriculum continued with KNEU accounting faculty and administrators and the project translated and delivered 19 accounting, economics and business course syllabi for their review. Minor adjustments were made to the new curriculum model and it was formally presented to the Accounting and Audit Section of the Scientific Commission on Economic Education in March. The model was approved in whole. The full Commission will meet in May to consider all program change proposals and the project is confident that final approval will be forthcoming. Implementation of the new courses has already begun, with full implementation to start in the fall of 2001. Work also continued with KNEU to ensure that the ACCA textbooks will be used in the new curriculum for the fall of 2001 and a complete outline of the ACCA courses that will tie in with the new curriculum was delivered. In addition, discussions were held with KNEU administrators regarding the development of the new Common Certification Program (see the Task 3 review) and the involvement of university faculty in the program.

During the quarter, the project presented a ten-day audit training seminar based on ACCA Paper 6 – Audit Framework, to about 70 professors from about 30 universities from throughout Ukraine. The seminar was conducted by Indiana University accounting professors Lester Heitger and Michael Groomer under the auspices of the partnership and cooperation agreement between KNEU and IU. The course was a big success and all of the participating professors passed a 54-question 15-page final exam. Each professor received a textbook and a problems/solutions manual for use in the classroom. These books were again supplied by the USAID/University of Minnesota Consortium for Enhancement of Ukrainian Management Education (CEUME) project. Additional copies of the CEUME supplied textbooks and solutions manual were given to UFPAA and several university libraries.

- b) *Partnership development. Assist at least three higher educational institutions to establish partnerships with similar American institutions; train locally the selected faculty members in delivering the new curriculum programs; facilitate faculty exchanges with U.S. universities; and provide basic level of equipment to the selected Ukrainian institutions.*

While in Kyiv conducting the university audit training seminar, the IU professors also met with KNEU accounting faculty and administrators to resume their discussions about the continuation of their partnership activities and exchange of accounting professors. The professors were also involved in the final review of the new curriculum model. A trip summary prepared by the IU professors is attached.

The semester-long training program for the six Ukrainian accounting faculty began with their arrival at Indiana University in January. The professors were all enrolled in three core courses (managerial accounting, intermediate accounting, and auditing) and either one or two additional elective courses. They attended classes, worked on assignments and received grades just like other IU students. IBTCI worked closely with the IU counterparts to monitor the progress of the professors and to ensure that they were adequately supported during their stay in the United States. Their training program was scheduled to end in early May, after completion of a full semester of study.

The digital copiers ordered for the three Ukrainian partnership universities arrived in Kyiv and were delivered to the universities.

Forecast for Next Reporting Period:

During the final months of the project, the project team will work on the following:

- a) Obtain final approval of the new accounting curriculum and course outlines by the Presidium of the Scientific and Methodology Commission on Economic Education.  
b) Monitor the progress of the six Ukrainian professors attending classes at Indiana University.

Anticipated Coordination with Counterparts and Other Donors:

The project continued to have excellent relations with the Deputy Rector of KNEU and all of the accounting administrators of the three partnership universities. The project team will continue to work with Mick Mullay of the USAID CEUME project on areas of mutual interest and will discuss future cooperation of the projects. Coordination will also continue with Indiana University on the university partnership activities.

**C. Team Days Worked**

	<b>This Quarter</b>	<b>To Date</b>
Thomas J. Tschetter	62	357
Mary W. Hahn	23	300
Gary M. Scopes	0	78
Robert E. Bennett	0	68
George Drakey	0	49
Albert A. Hrabak	23	36
Susan Fenno	34	34
<b>Total</b>	<b>142</b>	<b>922</b>

**A Report on USAID's  
"Private Sector Accounting Reform in Ukraine"**

**A Second Visit**

by  
S. Michael Groomer, Professor of Accounting and Information Systems  
and  
Lester E. Heitger, Professor of Accounting  
Kelley School of Business  
Indiana University



**Mike Groomer and Les Heitger in the Great Hall at KNEU**

Kiev, Ukraine  
March 10 - March 24, 2001

## **Purpose Of Trip**

Professor Mike Groomer and Professor Les Heitger traveled to Kiev, Ukraine to continue Indiana University's participation in the USAID's "Private Sector Accounting Reform in Ukraine" program. This program was initiated in the fall of 2000 when Professors Groomer and Heitger visited the Ukraine to initiate the development of a cooperative program between Kiev National Economics University (KNEU) and Indiana University. The purpose of this program is to provide Ukrainian institutions of higher learning with the assistance and support necessary to reform their accounting and auditing curriculum. The focus for much of this work is at Kiev National Economic University (KNEU) because of the influence this university can bring to the reform process throughout Ukraine. The objective of the trip was to (1) present a two-week Auditing Seminar and (2) continue discussion with the leadership of KNEU on the adoption and implementation of the IU undergraduate accounting curriculum. International Business and Technical Consultants, Inc facilitate this program.

## **USAID Project Goals**

The USAID Private Sector Accounting Reform in Ukraine project has the following stated goals:

1. Establish the legal and regulatory framework for Ukrainian Accounting Standards and Ukrainian Standards of Audit. (compliant with IAS and ISA).
2. Convert accounting procedures of 700 selected enterprises to IAS-compliant national accounting standards.
3. Continue to support the Ukrainian Federation of Professional Accountants and Auditors (UFPAA) as a technically and financially self-sustainable organization.
4. Provide more focused training for users of financial statements, auditors, and financial managers.
5. Implement new accounting and audit curriculum at higher educational institutions in Ukraine, train accounting professors in International Accounting Standards (IAS) and International Auditing Standards (IAS), and support the development of U.S.A. – Ukrainian university partnership.

## **The Seminar**

The seminar began on March 12, 2001 and concluded on March 23, 2001. The seminar was presented to 71 participants. These individuals represented university accounting faculty and a selected number of practitioners from all over Ukraine. There were more applicants than available seats.

The room in which the seminar was conducted was excellent. Although the room was very large, it was wired for sound, so that both the students and the faculty could communicate easily.



*Mike Groomer Presenting*

The format of the seminar was lecture-discussion in the mornings followed by case analysis and presentations in the afternoon. Participants were very active and supportive of this approach. In addition to presenting the auditing materials, this seminar provided a chance to talk about how one teaches an auditing course. Professors Groomer and Heitger prepared a huge amount of course materials for this offering. These notes contained a significant amount of diagrams and flowcharts. Ukrainian faculty had seemingly never experienced the use of a considerable amount of

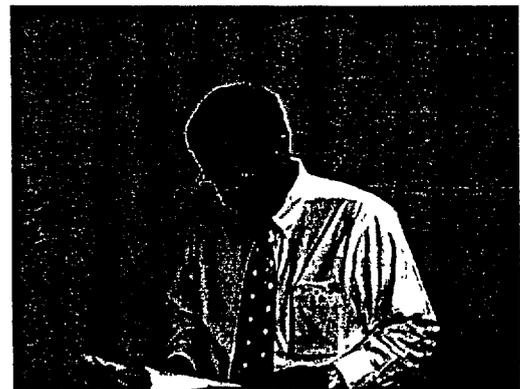
diagramming in teaching a course of this nature. All of the materials were translated into Russian and provided to seminar participants. Tom Tschetter's IBTCI office did an outstanding job in getting these materials translated and in providing the logistics for the seminar.

Participants were very diligent in their seminar attendance and in their participation in cases and other course work. Two of the participants were auditing textbook authors. Both of these individuals were kind enough to share signed copies of their books.

This seminar accounted for some very hard work on the part of both the faculty and the students. At the completion of the program, a rigorous examination that tested all of the topics presented during the two-week program was administered. Every participant passed the exam. The grades ranged from 74% to 96%. Professors Groomer and Heitger were very pleased with the exam performance. Having returned from lunch and entering the room just before the award ceremonies, Professor Groomer and Professor Heitger received a round of applause from the seminar participants.

At the closing ceremony, representatives of USAID, IBCTI and KNEU expressed appreciation for the auditing course and the program of joint cooperation. Tatyana Obolenska, Deputy Rector of KNEU, and Vasyl Efimenko, Dean of the Accounting Faculty at KNEU, expressed their appreciation for the auditing course and the hard work of the student participants. The Deputy Rector awarded each faculty member a certificate of completion. The professors also congratulated each participant.

Throughout our stay, the professors were treated with the utmost courtesy. Lunch was served in the executive dining room and a key to executive men's room at KNEU was provided.



*Lester Heitger Reviewing A Case*

On March 17, Obolenska and Efimenko hosted us for a tour of Chernihiv, a Ukrainian city some 130 kilometers northeast of Kiev. It was a very nice outing. This was an enjoyable trip and the hospitality of our hosts was greatly appreciated.

### Other Activities

- Professor Heitger met with Tatyana Obolenska, Vasyl Efimenko, Professor Kuznelyi, Chair of the Accounting Faculty, and Tom Tschetter of IBTIC to discuss the revised KNEU accounting curriculum. The new curriculum was modeled after the accounting curriculum at Indiana University. We discussed several course-timing issues and clarified some of the details on course offerings.
- Professor Groomer met with the accounting and auditing members of the “Scientific and Methodology Commission” to discuss the acceptance of the new accounting curriculum. While there was a significant amount of discussion, the program was approved. While the curriculum is modeled after the undergraduate at Indiana, the exact nature of the implemented program at KNEU is uncertain, particularly as it regards the IAS and AIS.
- Currently there are six Ukrainian accounting faculty members spending the Spring Semester studying accounting subjects on the Bloomington campus of Indiana University. While formal agreement is lacking, IBTIC would like to send six more Ukrainian faculty to study at Indiana University for the fall semester of 2001.
- Anatoly Pavelenko, Rector of KNEU, hosted Professor Groomer, Professor Heitger and Tom Tschetter for lunch. In attendance were Professor Kuznelyi, Evgenia Malikova (USAID), and Hugh Hayworth (USAID).
- On the last day of the seminar, Professor Groomer and Professor Heitger had lunch with Tatyana Obolenska, Vasyl Efimenko, and Tom Tschetter. All three of these individuals indicated that they were very pleased with the auditing seminar and that everything they had heard about the seminar was very positive. Based upon this experience, Professors Groomer and Heitger were invited to return to Kiev in both the Fall and Spring Semester of 2001-02. The purpose of the return visit would be to conduct seminars on accounting information systems and advanced managerial accounting. We agreed in principle to undertake this task, but indicated that funding and logistics issues would have to be resolved. (Selected pictures are attached).



Les, Deputy Rector Obolenska, Mike and Rector Pavelenko

- During the second week of the seminar, Professor Groomer received a letter from V.T. Bilous, One Star General and Acting Rector of the Academy of the State Tax Service of Ukraine. In his letter, General Bilous extended an invitation to visit the Tax Academy and pursue an agreement to seek cooperative agreements with Indiana University. Copies of his letter are attached. No action has been taken on this very cordial request.

### **Summary and Conclusions**

Both Professor Groomer and Professor Heitger believe that their trip to Kiev, Ukraine to conduct the auditing seminar and to continue the relationship with KNEU was extremely successful. Seminar participants, KNEU administrators, management of IBTCI and representatives of USAID were universally high in their praise of our auditing seminar and other professional activities associated with this trip. Both of the Professors look forward to other successful aspects of this program in the future.

Selected Pictures



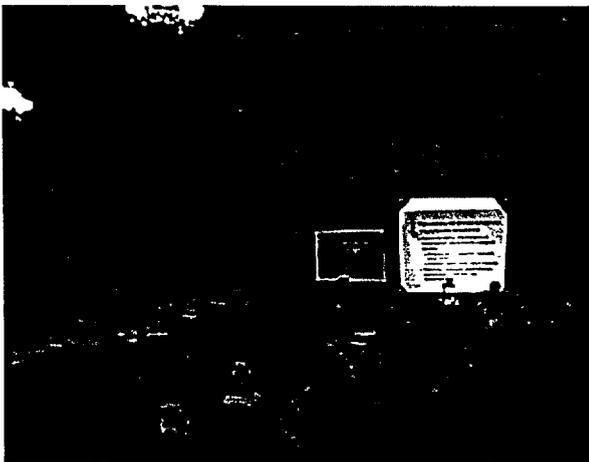
Class notes



The Audit Class at KNEU



A Day Trip to Chemihiv



The Audit Class at KNEU



Les and Mike at Work

Letter from V.T. Bilous



**АКАДЕМІЯ ДЕРЖАВНОЇ ПОДАТКОВОЇ СЛУЖБИ УКРАЇНИ**



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“ 17 ” 03 2001 р. № 646  
На № \_\_\_\_\_ від “ \_\_\_\_\_ ” \_\_\_\_\_ 2001 р.

**Пану професору  
Майклу Грумеру**

Ректорат Академії державної податкової служби України висловлює глибоку повагу Вам особисто і має честь запросити Вас відвідати нашу Академію протягом березня 2001 року для проведення лекції професорсько-викладацькому складу та студентам Академії. Під час відвідин заплановано знайомство з нашим навчальним закладом та обговорення можливості встановлення ділових стосунків і підготовки взаємних візитів керівництва наших ВУЗів з метою підписання угод про співпрацю в разі спільної згоди протягом 2001 р. Академія зацікавлена у встановленні ділових стосунків з Вашим Університетом, і тому ми сподіваємося на плідну співпрацю в майбутньому. Просимо повідомити про зручний для Вас час для відповідної підготовки Вашого візиту.

**З повагою,  
виконуючий обов'язки ректора  
генерал-майор міліції**

**В.Т. Білоус**

# Translation of the V.T. Bilous Letter

## ACADEMY OF THE STATE TAX SERVICE OF UKRAINE

17.03.2001 #646

Attn. Professor M.Groomer

The Administration of the Academy of the State Tax Service of Ukraine expresses its deep respect to you in particular and is honored to invite you to visit our Academy within March 2001 and to perform lectures to the Academy professors and students. During the visit we plan to introduce to you our educational body and to discuss the possibility of establishment of business relations and preparation of the mutual visits of the managers of our educational bodies having as a purpose signing of the agreements of cooperation in case of mutual agreement for 2001. The Academy is interested in establishment of the business relations with your University, and that's, why we hope to have fruitful cooperation in the future. We would like you to inform us about the convenient for you time in order to prepare your visit.

Respectfully,  
Acting Rector  
One Star General of Militia

V.T.Bilous

ДЕРЖАВНА ПОДАТКОВА АДМІНІСТРАЦІЯ УКРАЇНИ

Державної  
Податкової  
Служби  
України

**НЕДАШКІВСЬКИЙ  
Михайло Миколайович**

Проректор з організаційно-методичної  
роботи та заочного навчання

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*He delivered the letter*

ДЕРЖАВНА ПОДАТКОВА АДМІНІСТРАЦІЯ УКРАЇНИ

Державної  
Податкової  
Служби  
України

**Білоус  
Віктор Тарасович**

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*He wrote the letter*