

IMPROVEMENT OF ACCOUNTING OF FINANCIAL RESULTS

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Abstract: The article is devoted to the consideration of the issues of accounting of financial results of economic entities in reliance upon international financial reporting standards. Accounting of financial results are reflected in based on the data obtained from practice.

Keywords: income, expense, profit, financial result, accounting, account.

Introduction. As a result of deepening globalization and integration and digitization in various countries in the world, operations, including the accounting system based on internationally accepted standards, result in the increased requirements for them and the necessity to work out financial reporting in accordance with this practice. “All joint-stock companies operating in various fields in the world, over 45 thousand multinational corporations and large companies, together with their more than 250 thousand subsidiaries and other related companies, prepare financial statements in accordance with the IFRS on a voluntary basis” (Ibragimov et al., 2020).

Numerous research and development activities and scientific investigations are performed by joint-stock companies to find a solution to the issues of accounting, recognition of assets, reflection of capital, financial results and improvement of accounting information provision, implementation and evaluation of international standards based on international financial reporting standards.

As stated by the President of the Republic of Uzbekistan, “Starting from January 1, 2021, accounting is to be made on the IFRS basis of the, and from the end of 2021,

financial statements are to be prepared on the IFRS basis, with the exception of legal entities, which legislation provides for earlier periods of transition to the IFRS”¹. According to this Decision, starting from January 1, 2021, joint-stock companies are to conduct accounting and prepare financial statements of financial economic activities based on the international financial reporting standards.

Determining and reporting financial results is crucially important for users of financial statement information. Therefore, economic entities operating in any system determine the financial results of their activities.

Literature review.

The essence of the international financial reporting standards, the necessity of transition to them are highlighted in economic literature in different ways.

According to A.K. Ibragimov, “Adaptation of financial reporting to international standards is especially significant in assessing the financial indicators of companies and firms and in their actions on an international scale. From this point of view, it is necessary to consider preparation of financial reports on the basis of international standards in enterprises and economic entities of the Republic of Uzbekistan and development of a working plan and implementation program for the application of international financial reporting standards of economic entities based on the history of the origin of the IFRS and their evolution and the process of the implementation” (Ibragimov, 2023).

According to A.A.Karimov and L.S.Jurakulov, every enterprise must develop an accounting policy for the transformation of financial statements. Therefore, the following conditions must be met in order to implement financial reporting transformation in the company:

¹ Resolution of the President of the Republic of Uzbekistan №4611 “On additional measures for the transition to international financial reporting standards” dated February 24, 2020.

- the company must have the need to prepare financial reporting according to the IFRS. Internal and external information users of the company must be able to use the financial statements prepared according to the IFRS and make decisions based on it;

- Financial reporting prepared on the basis of national standards should be objective, reliable, consistent and fully comply with the law on accounting and the National Accounting Standards of the Republic of Uzbekistan (Karimov et al., 2022).

From the point of view of L.B. Trofimova, companies and firms should consistently choose and apply accounting policies related to similar operations, other events and conditions in the process of applying international financial reporting standards. Therefore, we can conclude from this opinion that if the international financial reporting standards require or allow the division of items into categories, it means that the accounting policies related to each such category should be selected and applied consistently (Trofimova, 2018).

I.N. Ismanov reveals the essence of the IFRS in the following way: “IFRS is directed to the preparation of financial reports, which are the source of financial information about the enterprise’s business and serve for users. These standards are not tied to the legislation of the country in question and are directed to the formation of the financial statements of all enterprises, regardless of the type of activity, size, organizational and legal form” (Ismanov, 2017).

In the opinion of S.N.Tashnazarov, we must achieve that joint-stock companies, limited liability companies and other enterprises in our country switch to financial reporting on the basis of their financial statements on a voluntary basis. Enterprises and organizations themselves should benefit from the transition to the IFRS, feel its advantages. Ensuring the financial sustainability of enterprises by achieving their investment attractiveness through financial institutions should be considered as the objective of strategic importance (Tashnazarov, 2021).

From the point of view of Z.N.Kurbanov and A.Akramov, “In the Republic of Uzbekistan, gradual organization of accounting on the basis of international financial reporting standards and preparation of financial reporting will provide an opportunity

to penetrate more widely into global integration. This will be a new stage of accounting reform and modernization in the Republic of Uzbekistan” (Kurbanov et al., 2015).

E.L. Putnikova and V.A. Urban explain the transition to international standards of financial reporting as follows: “Changing the financial statements of the Republic of Belarus in accordance with international financial reporting standards is the first, very important and obligatory step on the way to the IFRS transition” (Putnikova et al., 2022).

According to B.K. Bobobekov, transition to the international financial reporting standards, comparative study and objective assessment of the economic, property and financial condition of the company and organization, the financial results of the company in the past year enable to expand future activities, find external financial sources, attract capital from public financial institutions (Bobobekov, 2022).

Transition to the international financial reporting standards mentioned above is also related to the organization of the accounting of the financial results.

Research Methodology.

The methodology of our research is the economic relations related to the organization of accounting of income, expenses and financial results on the IFRS basis. Such research methods as comparison and grouping of practical materials have been widely applied.

Analysis and Results.

Accounting of financial results is regulated by IAS №1 “Presentation of Financial Statements”, IAS №12 “Income Taxes”, IAS №15 “Revenue from Contracts with Customers” and other standards.

Financial statements provide the data about the following aspects of a business entity:

- assets;
- liabilities;
- capital;
- income and expenses, including profits and losses;

- investments made by property owners in their capacity as property owners and amounts distributed to them;
- cash flows.

A complete set of financial statements in the international financial reporting standards covers the following aspects:

- report on the financial situation at the end of the period;
- statement of profit or loss and other comprehensive income for the period;
- report on changes in capital for the period;
- cash flow statement for the period;
- notes, i.e. notes containing a brief description of significant accounting policies and other explanatory information.

In addition to sections of profit or loss and other comprehensive income, statement of profit or loss and other comprehensive income (statement of comprehensive income), must provide the following elements:

- profit or loss;
- total other comprehensive income;
- comprehensive income for the period, including total profit or loss and other comprehensive income.

In addition to the items required in other financial statements, the profit or loss section or the profit or loss report should include the following items for the period, which are shown in the lines:

- income from regular business;
- profits and losses arising from derecognition of financial assets accounted for at amortized cost;
- financial expenses;
- the share in profit or loss of dependent business entities and joint ventures accounted for by the share accounting method;

-if a financial asset is reclassified and accounted for at fair value, any gain or loss arising from the difference between the previous carrying amount and its fair value at the date of reclassification (as defined in IAS №9);

- tax expenses.

Revenue and receipts' indicators are calculated as indicators characterizing financial results. IAS №15 "Revenue from Contracts with Customers" defines the concepts of revenue and receipts. Revenue is an increase in economic value in the form of the arrival or improvement in the quality of assets or a decrease for liabilities during the reporting period, as a result of which there is an increase in the equity capital, independent of the contribution of capital participants. Receipt is the revenue generated by the company during its regular business².

The Ministry of Economy and Finance of the Republic of Uzbekistan together with the Tax Committee under the Cabinet of Ministers of the Republic of Uzbekistan notifies the following aspects about the presentation of financial and tax reports in accordance with international financial reporting standards for the end of 2023. In accordance with the Law "On Accounting", the rules of accounting and preparation of financial statements of business entities are implemented in reliance upon accounting standards, as well as requirements for financial statements compiled on the basis of international standards are defined in International Financial Reporting Standards (IFRS).

Certain measures are being done to align tax reports with international financial reporting standards.

According to the resolution of the Tax Committee of the Republic of Uzbekistan "On approval of the forms of tax reports", the forms of tax reports were approved and registered by the Ministry of Justice of the Republic of Uzbekistan on February 24, 2020 under registration number 3221³. With this resolution, a separate appendix 13 on

² IAS №15 "Revenue from Contracts with Customers", 2018.

³ The forms of tax reports were approved and registered by the Ministry of Justice of the Republic of Uzbekistan on February 24, 2020 under registration number 3221.

the indicators required for calculating the taxes of legal entities that have shifted to international financial reporting standards was introduced.

Table 1 demonstrates the data on the consolidated income provided by “UZBAT JSC” JOINT STOCK COMPANY, which has adopted international financial reporting standards. In 2022 the net proceeds accounted for 2 042 488 831 thousand UZS in 2022, and in 2023 this indicator amounted to 2 753 975 643 thousand UZS, which shows an increase compared to 2022. In 2023 the amount of profit tax calculated constituted 153,049,155 thousand UZS. The net profit was equal to 988 600 103 thousand UZS.

In compliance with the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 № “On additional measures for the transition to international financial reporting standards”⁴, joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large tax payers (hereinafter - organizations) from January 1, 2021 are to organize accounting on the basis of the IFRS and to prepare financial statements based on the IFRS from the end of 2021, with the exception of legal entities which legal documents provide for earlier periods of transition to the IFRS.

Table 1

DATA on consolidated income provided by “UZBAT JSC” JOINT STOCK COMPANY, which has adopted international financial reporting standards

thousand UZS

| Indicator | Code of line | 2022 | 2023 |
|-----------|-----------------|------|------|
| 1 | 2 | 3 | 4 |

⁴ Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 № “On additional measures for the transition to international financial reporting standards”.

| | | | |
|---|-----|---------------------|---------------------|
| Net proceeds (line 020+030+040+050) | 010 | 2 042 488 831,00 | 2 753 975 643,00 |
| From product sales | 020 | 1 948 023 602,00 | 2 562 708 403,00 |
| From providing services | 030 | 552 598,00 | 583 736,00 |
| On construction contracts | 040 | | |
| Others | 050 | 93 912 631,00 | 190 683 504,00 |
| Prime-cost of sold products (goods, services) | 060 | 743 345 681,00 | 1 040 230 588,00 |
| Gross income, (lines 010-060) | 070 | 1 299 143 150,00 | 1 713 745 055,00 |
| Other operating income | 080 | 7 899 452,00 | 20 042 564,00 |
| Sale expenses | 090 | 237 198 471,00 | 379 459 530,00 |
| Administrative expenses | 100 | 74 637 831,00 | 90 555 823,00 |
| Other expenses | 110 | 141 991 659,00 | 120 614 721,00 |
| Operational income, (line 070+080-090-100-110) | 120 | 853 214 641,00 | 1 143 157 545,00 |
| Impairment losses/recovery (line 140+150+160) | 130 | | -10 654 215,00 |
| On financial assets | 140 | | -1 680 008,00 |
| The goods are in stock | 150 | | -8 974 207,00 |
| On other assets | 160 | | |
| Income in the form of dividends | 170 | | |
| Profits and losses from exchange rate differences* | 180 | -951 254,00 | -2 034 774,00 |

| | | | |
|---|-----|-------------------|---------------------|
| Interest income | 190 | 17 280 161,00 | 11 180 702,00 |
| Expenses in the form of interest | 200 | | |
| Income from financial rent | 210 | | |
| Expenses on finance rent | 220 | | |
| Other income and expenses* | 230 | | |
| Taxable profit/loss (line 120+130+170+180+190-200+210-220+230) | 240 | 869 543 548,00 | 1 141 649 258,00 |
| Profit tax | 250 | 144 257 214,00 | 153 049 155,00 |
| Taxes other than profits and other compulsory payments | 260 | | |
| Net profit/loss (line 240-250-260) | 270 | 725 286 334,00 | 988 600 103,00 |
| Other comprehensive income/expenses | x | x | x |
| Revaluation reserves on fixed assets | 280 | | |
| Other comprehensive income | 290 | | |
| Other comprehensive income (losses) (line 280+290) | 300 | | |
| Comprehensive income, total (line. 270+300) | 310 | 725 286 334,00 | 988 600 103,00 |

Moreover, entities that voluntarily prepare financial statements in accordance with the IFRS are exempted from submitting financial statements National Accounting Standards (NAS).

Entities organize accounting and prepare financial statements on the basis of the international financial reporting standards recognized for use in the territory of the Republic of Uzbekistan and the wording of their explanations.

Conclusion and proposals.

It should be noted that certain efforts are being undertaken on the transition of the financial reporting of the Republic of Uzbekistan to international standards.

Accounting of financial results is regulated by IAS №1 “Presentation of Financial Statements”, IAS №12 “Income Taxes”, IAS №15 “Revenue from Contracts with Customers” and other standards.

The transition of the financial reporting of the Republic of Uzbekistan to international standards is one of the ways to attract foreign investment.

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