Accounting of Provisions and its Prospects for Application in Uzbekistan

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INTRODUCTION

In Uzbekistan, it is important to ensure the transparency of financial reports, form the account and audit of obligations based on the requirements of international standards, and increase the reliability of information about obligations. As the President of the Republic of Uzbekistan Sh.M. Mirziyoev said about this, "It is necessary to speed up the transformation of state companies in the implementation of structural changes in the economy. Currently, most of the state-owned enterprises remain a heavy burden on the state because they are not financially stable»[1]. The main reason for this financial instability can be explained by failure to timely eliminate liabilities and incorrect accounting of business entities. Ensuring that the information about the obligations of economic entities is correctly reflected in the forms of financial reports and researching the problems related to the organization of the audit of obligations at the level of the requirements of international standards and paying special attention to their elimination are among the urgent tasks of today.

In addition, the problems of comparison of regulatory documents on the accounting of the obligations of economic entities in the system of national accounting standards and international standards of financial reporting in force in the Republic of Uzbekistan, as well as questions about the level of compliance of accounting rules and the reporting of obligations of economic entities with the requirements of the Financial Accounting Standards Board have not been resolved at the moment. worth noting. At the same time, one of the most important and urgent issues is the adaptation of financial statements to the requirements of the National Accounting Standards and the further reform of the accounting of economic entities. It is necessary to solve the issues of accounting requirements for all objects of accounting, and exactly the obligations, as one of the most important objects, in accounting at the level of IFRS. This requires the development of new approaches to the approximation of regulatory legal documents on the accounting of liabilities in NSA and IFRS systems.

REVIEW OF LITERATURE

Theoretical problems are partially studied in textbooks, monographs as well as published scientific articles and theses, created by economists on accounting and auditing of liabilities in economic entities. For example, according to V.V. Kovalev, "in the legal sense, debtor and creditor debts in financial statements are an example of obligations that represent legal civil relations. As a result of this civil-legal relationship, one party (debtor) must perform a certain action (transfer of property, work, etc.) in favor of another party (creditor), and the creditor has the right to demand that the debtor fulfill his obligations.

Professor V.F. Analyzing the changes in the internal interpretations of the subject of accounting, Paly comes to the following conclusion: "Capital and its circulation are the real subject of accounting." But what is equity if not liability? Even equity capital is nothing more than a set of obligations to the shareholders of the organization, the payment of which must be carried out in the event of certain circumstances (for example, liquidation of the organization, deregistration of shareholders, etc.)

In this matter, Professor Ya.V. Sokolov: "Realities in accounting are understood through a constructive concept, which turns into concrete business operations and represents a logical unity of persons (with obligations and requirements) and objects." Obligations and requirements This rule almost confirms the concept of a prerequisite - the possibility of entering into a transaction and reflecting it in accounting. In addition, "accounting is a certain mental structure, the content of which is determined by the needs of the immanent tasks of the present and future." In this case, it is necessary to take into account the opinions of representatives of patrimonial accounting, who emphasize the need to "use the necessary information not only to record the performance of the contract, but also to record the obligations arising from them" [4].

Obligations are defined in the Civil Code of the Republic of Uzbekistan as follows: "Obligation is a civil legal relationship based on the obligation of one person (debtor) to perform a certain action for the benefit of another person (creditor), such as: transfer property, perform work, provide services, pay money etc. or is forced to refrain from certain actions, and the creditor - has the right to demand the debtor to fulfill his obligations"

ANALYSIS AND RESULTS

Assets (liabilities) are recognized when goods are shipped or services are rendered. But a forward contract, in which there is an obligation to buy and sell a financial instrument, even other goods (services) at a certain price on a certain day, must be recognized in the balance sheet on the day of the conclusion of the relevant contract. In this case, the amount of the asset and the amount of the liability often coincide, that is, the net value of the forward contract is zero. But this circumstance should not be underestimated. This financial instrument is reflected in the assets and liabilities of the balance sheet in equal amounts. Over time, this equilibrium may change due to the exchange rate of the fixed asset, the time value of funds, the price of the goods specified in the contract, or other similar factors.[6]

We will also be able to see various special cases when reflecting the types of obligations of enterprises in IFRS and the circumstances of their preservation, modification and liquidation in accounting, as well as when accounting for several obligations. The most important special case is called a contract for damages. Compared to the unavoidable conditions that are initially fulfilled under contracts with suppliers and contractors, as well as the economic benefits resulting from this contract, the unavoidable costs incurred by the enterprise will be higher. That is, we can say that this is not an economically justified contract. Because it is as a result of such agreements that damage will be caused. The economic benefit, i.e. when the funds credited to the settlement account of an economic entity or assets provided by the buyer are less than the costs incurred under the concluded contract, in this case is considered a contract causing losses, as indicated above. Under the contract for damages, we will first need to recognize losses from any impairment of assets allocated for the performance of the contract. That is, why the damage is caused, after a certain period of time or as a result of the release of new technologies, the costs exceed those previously agreed in the contract, this can certainly be the result of an impairment of assets, and such impairment should be checked for impairment in accordance with IFRS 36.

The second thing to do is to create a separate assessment obligation under the damage compensation agreement. To do this, we need to choose the smaller of the following two values:

1. "The costs required to fulfill the contract.
2. Compensation or fines as a result of non-fulfillment of obligations" [10].

If the losses from the contract are obvious, the enterprise faces an obvious way to choose from these two circumstances, when the enterprise terminates the contract if the compensation amounts paid as a result of non-performance of the contract are less than the costs of fulfilling the contract. Based on this logical reasoning, IFRS No. 37 also provides for an assessment with the lesser of these two values.

The initial recognition of changes in the composition of the provisions for decommissioning, environmental restoration and similar obligations presupposes the recognition of the provisions and fixed assets. That is, the amount of the provisions is added to the value of the specified object, and cash flows from expenses in this future period, namely the discount rate reflecting current market conditions at the reporting date, acquire significant importance.

Initial recognition of changes in decommissioning, environmental restoration and similar liabilities is reflected in accounting as follows:

D-t Earth

K-t Provisions [14].

When using an provisions in accordance with IFRS 37, the provisions must be used for the same purpose for which it was created, and is reflected in this by reducing the provisions and recognizing various assets or other liabilities. Periodic depreciation of discounting should be recognized as a financial expense in profit or loss in the coming period. In principle, IAS 23 does not allow capitalization.

Another important special case is restructuring. Restructuring is a program within which it leads to changes planned and controlled by the management of economic entities. They included:
a) "the scope of activities carried out by the company"; or
b) the mode of operation.

An example of a restructuring process is the following:
a) sale or termination of business;
b) the closure of certain economic departments in a country or region, or the transfer of economic activities from one state or region to another;
c) a fundamental restructuring that has a significant impact on the nature and direction of the company's activities" (table 1).

Table 1 Restructuring process

Changing the scope of activity	**Changing the business management style**
Changing the direction of activity or termination of its activities	Changes in the management structure, such as abandoning a certain level of management
Closure of divisions in a country or territory or relocation of economic activity from one country or territory to another	Reorganization of a fundamental organization that significantly affects the nature and direction of activity

The decision on restructuring is made by more than one manager. It is advisable that this be discussed at the board of governors, at the board of directors, at meetings of founders, at general meetings of the joint-stock company and ensure the participation of all instances.

During the audit of liabilities, the Board of Governors of JSC “Тошкент механика заводи”, having analyzed the segment financial statements, came to the conclusion that, for example, in the Ferghana region, the activities of JSC “Тошкент механика заводи " brings losses. Therefore, it was decided to close the activities in this region. The closure of this activity entailed fines for customers for non-fulfillment of obligations to customers, and it is also expected that 25 million soums will be paid in the form of severance payments in connection with the dismissal of employees due to the reduction of activities.

A decision was made to terminate the activity, and this decision was brought to all instances. It is impossible to avoid paying this sum of 25 million sums. In this case, 25 million sums is required to recognize the costs of the restructuring process as an provisions and reflect it in the balance sheet.

Based on the strategic marketing research of the market, JSC ”Тошкент механика заводи " now comes to the conclusion that it is advisable to independently establish the production of raw machines. To do this, the registration of legal documents, the purchase of buildings, machinery and equipment will cost the company 15 million sums.

If the company has developed a plan for further restructuring, made a decision, but has not yet published it, these future liabilities in accordance with IFRS 37 are not yet recognized and are not reflected in the financial statements.

If the restructuring program is discussed at the board of directors and a decision is made, and this decision is published, work has begun, then the company must recognize 15 million sums as restructuring costs and reflect it in the balance sheet as an provisions.

The estimated restructuring obligations must include direct costs incurred as a result of the restructuring, which must meet the following two conditions:
a) origin from restructuring;
b) have no relation to the current activities of the company.

The Company is required to disclose each class of reserves in accordance with standard requirements:
- "The amount of the balance at the beginning and end of the reporting period and its movement by the following types:
- Additional created reserve, as well as an increase in existing reserves;
- use of the amount during the period (spent or credited to the reserve
- unused and recovered amounts for the period;
- discounted amounts.
- a brief description of the obligations and the amount and time of the expected retirement of economic interest;
- uncertainty regarding the amount and time of withdrawal of funds;
- the amount of expected coverage".

The Company will also have to provide disclosure of information about contingent assets and contingent liabilities in the report.

Constructive responsibility for the restructuring of the enterprise may arise. This is reflected in table 2.

An estimated restructuring obligation may arise. The valuation of this provisions is determined by the costs of the following two characteristics:
1. "Expenses incurred directly as a result of restructuring and not related to the current activities of the organization;
2. Expenses for retraining or relocation of the remaining personnel, marketing or investments in new systems and distribution networks (are not taken into account when calculating provisions)."

Table 2 Constructive responsibility for restructuring [12]

Detailed official plan	**Reasonable expectations on the part of the parties affected by the restructuring**
business activities	start of implementation of the restructuring plan
main geographical locations	
employees	announcement of the main features of the restructuring
implementation costs	
terms of implementation of the plan	

We also considered above that the main part of IFRS 37 relates to provisions. The provisions is reflected in the balance sheet at the end of the reporting year according to the following values:
1. "Book value at the beginning and end of the period;
2. Additional provisions created during the period;
3. Amounts used during the period;
4. Unused amounts recovered during the period;
5. Increase in the discounted value during the period"[11].

The notes to the provisions include a brief description of the nature of the liability and the expected timing of the outflow of economic benefits, a classification of uncertainties related to the amount or timing of the outflow of resources, as well as any expected amount of compensation indicating the value of any asset recognized by the expected amount of compensation that we must provide.

In addition, contingent liabilities should also be covered by a brief description of each class of contingent liabilities in the notes to the financial statements and, if practicable, by the following:

1. "Accounting assessment of financial impact;
2. Classification of uncertainties related to the amount or time associated with the outflow of resources;
3. The probability of receiving any refund."

The importance of reflecting the provisions in accounting is reflected in:

a) Determination of the net profit of the business: in order to determine the actual profit of the business. Regardless of whether they are paid or not, all expenses related to this year must be debited to the profit and loss account;
b) Determining the true financial position of the organization: viewing the balance sheet gives a true and fair view of the financial position of the organization. Funds should be allocated for all anticipated losses and expenses;
c) For the correct allocation of costs [11].

In general, it can be said that the impact of the method of accounting for the company's liabilities on its profitability is manifested in the fact that the company's income actually represents the amount of obligations of its counterparties that arose in the reporting period, and expenses-the amount of the company's obligations to its counterparties.

Here, first of all, the estimates of accounting obligations reflected in the accounting statements for the income and expenses of the enterprise will be important. And, first of all, it will depend on changes in the accounting assessment of liabilities after deducting the provision for doubtful debts.

A significant change in the liability account can also be considered as a result of changes in several indicators that ensure the financial independence of the enterprise.

The fact that one or another source of funds of the enterprise passes to a private or attracted person determines in advance the importance of financial statements. For example, targeted financing can be added (included) in the structure of the persons involved, and not in the composition of private funds.

The ratio between the volume of private sources of funds of the enterprise and the volume of attracted sources of funds is reflected in the financial leverage ratio. By increasing the financial leverage ratio, the repayment of accounts payable changes the data upward to the fact of debt repayment, depending on the value of the solvency coefficient.

In this case, " the coefficient of solvency upon debt repayment acquires a positive character-(>1), while the fractional representation and the denominator of the coefficient are equal to the amounts of debt repayment, if solvency upon debt repayment acquires a negative character (< 1), its value increases, debt repayment reduces its value.

This dependence is reflected with the help of accepted conventional signs. For example, take the sum of the solvency coefficient for A and the denominator for B.

In this case, the solvency coefficient will be equal to K =A/B. Let 's denote the amount of the liquidated obligation by the conditional N. At the same time, the solvency calculated after the fact of debt repayment is expressed as K= (A-N)/(B-N), we can talk about the following relationship: if before debt repayment A <B, then K <K; and vice versa, if before debt repayment A > B, then K> K it will be " [6].

For example, the amount of working capital of Uzdonhusulot JSC as of January 1, 2020 is A=

1131 billion. sum, the sum of obligations forming its denominator In = 1489 billion soums. Thus, K = 1131/1489 = 0.75. The company has 500 million. pays the debt (N) in soums. In this case, A-N = 631; B-N = 989, K = 631/989 = 0.63.

Then imagine the opposite situation, when N = 500, A =1131, B = 1489, respectively, K = 1.31 before debt repayment.

After paying off the debt, K= 989/631 = 1.56.

As can be seen from this situation, the abundance of assets of the enterprise is the main lever of the solvency of the enterprise when paying off obligations. This observation leads us to a very interesting conclusion: if an economic entity has more assets and fewer debts, then solvency becomes stronger in the process of debt cancellation.

But we calculate the receipt of these goods as much as possible without concluding a contract with a supplier, and on the other hand, we plan our own cash flow in this way in order to have the amount of free funds necessary to pay for imported goods.

The supplier's refusal to fulfill its obligation means that we incur losses due to late receipt of the goods (possibly a decrease in turnover) and non-use of funds intended to pay for the goods (damage to the time value of funds).

To cover these losses, we need, for example, a waiver of a certain amount of money. Thus, for accounting purposes, it would be wrong to interpret the amount of money given as an additional net income of unplanned profit.

The requirement for refusal is an obligation to pay expenses in accordance with the non-fulfillment of a contractual obligation agreed with the counterparty. However, the amount of money charged for refusal, to which the lender agrees, may be as follows:

1. "Less expenses incurred in connection with the counterparty's non-fulfillment of obligations;
2. Equal to the same costs;
3. More than the costs associated with the counterparty's failure to fulfill its obligations " [13].

The financial result shows the fact of liquidation of the obligation associated with the difference between the assessment of expenses incurred by the counterparty of the organization in connection with the default of obligations and the amount of money collected from him for refusal. The nature of the financial result of the fact of the refusal request will also depend on the impact of the financial position of the enterprise in accounting. The debtor providing the funds necessary for refusal, if the fact of its transfer has a positive financial result, this means decapitalization of the amount of valuation of the provided values and capitalization of the amount of income. The main result here will be an increase in solvency indicators compared to profitability and financial leverage.

In the opposite situation, in the event of a loss resulting from a claim to waive obligations, we will have a decrease in these indicators of the financial condition of the organization.

Accordingly, the two situations highlighted in the debtor organization will have exactly the opposite meaning for the creditor organization.

The obligation is terminated in whole or in part when the same claims arise, the validity of which has either expired or not, or is determined by the time of the request. At the same time, an application from one of the parties will be sufficient for submission. For example, there is a debt of 50,000 soums for goods received from suppliers. At the same time, the supplier who made the prepayment was given a discount on the accounts receivable of the organization to him - 50,000 soums. In this case, it will be sufficient to notify the supplier of the transfer (fulfillment) of this requirement.

The very fact of renunciation of obligations finds its special expression in accounting only if in contracts the former obligations are replaced by new ones that are not equal to it in amount.

If the amounts of liquidated and new liabilities coincide with the refusal, then the fact of expressing the refusal in accounting does not change at all after the refusal, in which the financial position of the enterprise is reflected in the report. A change in the amount of liabilities upon refusal leads to a decrease or increase in the amount of income, which changes the profitability and financial leverage indicators, respectively.

CONCLUSION

It is also necessary to take into account the slow progress of the work and measures to implement the international standards of financial reporting, and based on this, we paid a lot of attention to this in our article.

Based on the types of provisions, several special cases were studied and it was suggested to include these types of liabilities in the financial statements. Also, the problems of reflecting the assessed obligations in financial statements as stated in the international standards of accounting were studied and the reflection of these transactions in accounting was improved.

Extinguishment of liabilities in the above business entities serves as a factor that raises the financial independence and profitability of that enterprise to a higher level.

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