



PECULIARITIES OF ACCOUNTING FOR EQUITY IN THE CONDITIONS OF TRANSITION TO IFRS

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ABSTRACT

This article is devoted to the definition of the concept of capital, its economic essence, as well as its characteristics. This issue is more relevant today in the context of Uzbekistan's transition to IFRS, on the basis of which the purpose of this article is to develop proposals to solve the problems of improving capital accounting. To achieve this goal, an analysis is carried out in which the structure of private capital of joint-stock companies is considered. A number of existing aspects are considered, taking into account the structure and formation of equity in accordance with the requirements of IFRS, including: issues related to the storage and reflection in financial statements, revaluation and liquidation of capital for sale.

Introduction. In the context of economic modernization, the potential of economic entities based on various forms of ownership is characterized by an indicator of their own capital. An economic entity that does not have enough equity capital will not be able to constantly develop its activities, and its ability to withstand competition arising in the market will be low. That is why owning your own capital and its constant increase is an important element that guarantees the development of any business entity in a market economy.

Capital is the most difficult category of accounting. There are quite a large number of interpretations of this concept, which creates ambiguity in the concept of "capital". The interpretation of capital in International Financial Reporting Standards (IFRS) defines the methodology for accounting for specific facts of economic life and approaches to analyzing the financial situation of an organization. According to paragraph 49 of the IFRS Financial Reporting Principles, equity is the owners' share of the company's assets remaining after deducting all its liabilities.

Currently, little attention is paid to the problem of accounting for equity. This is largely due to the opinion that reliable reflection of income and expenses is sufficient for high-quality accounting of capital. However, there are a number of aspects that require direct accounting of equity, such as: revaluation of financial instruments held for sale and retirement, revaluation of fixed assets and intangible assets, movement of deferred taxes related to capital

items, etc.

Analysis of the literature on the topic. The definition of "capital" is vaguely interpreted in the works of domestic and foreign scientists on economics. Most often, this means the amount of equity, share premium and retained earnings. But some authors include all long-term sources of capital. The concept of "capital" is often used to describe the assets of an organization, while dividing them into fixed assets (long-term assets, including work in progress) and working capital (the entire working capital of the organization).

Thus, Professor L. T. Gilyarovskaya noted that capital analysis is a complex and continuous process of collecting, classifying and using the information received from financial statements and accounting in order to determine the financial condition of an enterprise, diagnose the pace of expansion of financial and economic activities, identify available sources of capital formation and their rational use, as well as forecasting the development of the enterprise in the future in the capital market.

Professor K.B. Urazov noted: the authorized capital refers to the set of funds that will be invested in it by the founders of the enterprise, as well as the sum of the issued shares at par value.

Textbooks written by American scientists give the following definition of capital - these are economic resources at the disposal of the owner of the company, which reflect a set of monetary values (cash and debt obligations of buyers); tangible assets (inventories, land, buildings and equipment) and assets expressed in the form of intangible rights (patents, copyrights rights and trademarks).

Equity is the value of the entire property and assets of the enterprise, which belong to it by right of ownership and are used to form various assets. Equity can increase or decrease depending on additional financial or property injections and the results of the company's activities.

In the balance sheet, equity is represented by separate sections, and in fact this is the difference between all assets of the enterprise and its liabilities. The regulatory framework governing the analysis and accounting of equity capital is a set of resolutions, laws, orders and other regulations governing the procedure for accounting and reporting. Many laws, legal and regulatory acts were written to account for and control equity.

In accordance with the rules below, the reflection and identification of information about equity is regulated:

1. The Tax Code of the Republic of Uzbekistan (new edition) dated 12/30/2019
2. The Law of the Republic of Uzbekistan "On Accounting" (new edition), dated 04/13/2016 No. ZRU-404.
3. The Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights" (new edition), dated 05/06/2014. No. ZRU-370.
4. The National Accounting Standard of the Republic of Uzbekistan NBU No. 1 Accounting Policy and Financial Reporting was registered by the Ministry of Justice of the Republic of Uzbekistan on August 14, 1998 Registration No. 474.
5. The conceptual framework "For the preparation and presentation of financial statements" was registered by the Ministry of Justice of the Republic of Uzbekistan on August 14, 1998 Registration No. 475.
6. Resolution of the President of the Republic of Uzbekistan "On measures to reform

and restructure state-owned enterprises and commercial banks with state participation in the authorized capital" dated 05/21/2019 No. PP-4325.

7. The Order of the Minister of Finance of the Republic of Uzbekistan on the approval of "Financial reporting forms and rules for their completion", Registered by the Ministry of Justice of the Republic of Uzbekistan dated January 24, 2003 Registration No. 1209.

8. The Order of the Minister of Finance of the Republic of Uzbekistan on amendments and additions to the national Accounting Standard of the Republic of Uzbekistan (NBU No. 21) "Chart of Accounts for accounting of financial and economic activities of business entities and instructions for its application" was registered by the Ministry of Justice of the Republic of Uzbekistan on May 30, 2017 registration No. 1181-3.

9. Order of the Minister of Finance of the Republic of Uzbekistan on approval of the National Accounting Standard of the Republic of Uzbekistan (NBU No. 14) "Equity Report", Registered by the Ministry of Justice of the Republic of Uzbekistan on April 7, 2004. Registration No. 1335.

10. NBU No. 14 "Equity Report". The concept of equity is given in the Law "On Accounting", the Conceptual Framework for the preparation and Presentation of financial Statements (reg. No. 475 dated 08/14/1998) and National Accounting Standards No. 1 "Accounting Policy and Financial Reporting".

As a rule, the company's equity includes additional, reserve and authorized capital, retained earnings from previous years, as well as the reporting year. The authorized capital is the first to appear as accounting objects in the company. The order of its formation depends on the legal, organizational form in which the company is formed.

The most common organizational and legal form in which commercial companies are created are: joint-stock companies, limited liability companies. The newly created company must be registered with government agencies. This is the only way a company can obtain a certificate of state registration.

Research methodology. In the course of the study, the issues of improving equity accounting in the context of the transition to IFRS through the method of factor analysis are considered.

Analysis and results. In international financial reporting standards, capital is considered as a combination of attracted and equity capital.

Equity consists of authorized capital, additional capital, reserve capital and retained earnings.

In accordance with IFRS, equity is divided into subclasses. For example, in a joint-stock company, equity is divided into: funds contributed by shareholders; retained earnings; reserves reflecting retained earnings; reserves reflecting adjustments to retained capital.

Such a classification is necessary for decision-making by users of financial statements, since it highlights legal and other limitations on the ability of an enterprise to distribute and use its own capital. It may also reflect the fact that parties with different ownership interests in the company have different rights to receive dividends or capital payments. Trade, production and entrepreneurial activities are carried out by enterprises of various forms of ownership: private enterprises, societies, trusts and various state-owned enterprises. The legal and regulatory framework for such enterprises often differs from that used by joint-stock companies. For example, there may be several restrictions regarding the payment of

amounts from equity to owners or other beneficiaries.

The general procedure for accounting for equity and compiling a report on changes in equity is regulated by IFRS 1, in the article the author considers more specific situations on the movement of capital items in Uzbekistan, a journal of correspondence on capital item transactions has also been developed (Table 1).

Table 1.

Journal of correspondence on capital accounting in accordance with IFRS

	Debit	Credit	The content of the operation
1.	Own shares	Calculations for shares	In the amount of actual acquisition costs, own shares purchased from shareholders are taken into account
2.	Payments for shares	Cash	Payment of shares repurchased from shareholders has been made
3.	Other capital/ Extension	Share capital	The direction of the amounts of additional capital to increase the authorized capital, carried out by placing additional shares at the expense of the Company's property, is reflected
4.	Retained earnings to be distributed	Share capital	The direction of retained earnings for an increase in the authorized capital, carried out by placing additional shares at the expense of the Company's property, is reflected
5.	Cash	Settlements for shares before the increase in the authorized capital	Funds have been received to pay for additional shares
6.	Settlements for shares before the increase in the authorized capital	Payments for shares	The debt of shareholders on payment of shares has been offset
7.	Payment account	Contributions of the founders to increase the authorized capital	Additional contribution to UV has been made
8.	Contributions of the founders to increase the authorized capital	The debt of the founders on contributions to the authorized capital	The amount of the additional deposit has been credited
9.	Share capital	Payments for shares	The decrease in the authorized capital of the Company is reflected

10.	Retained earnings, adjustments	Other accounts payable	The excess of the repurchase value of own shares over their nominal value (with insufficient additional capital) is reflected
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Equity includes both the money received from the sale of ordinary shares, as well as the money received for preferred shares and purchased shares. The company can buy its shares.

After the purchase, the company has a choice – it can destroy the purchased shares or keep them for subsequent sale.

The share capital can be calculated using the following formulas:

Share capital = Assets - Liabilities

or

Share capital = Share capital + Retained earnings - Treasury shares

Using the first formula, which includes common assets and common liabilities, is relatively simple and is the basic accounting equation. To determine total assets, it is necessary to include long-term assets and current assets. Current assets are accounts receivable and cash of the company, as well as long-term assets - fixed assets and property value. All of them must be evaluated by the company at least once a year.

Then you have to calculate the total liabilities, include current liabilities and long-term liabilities. This is an instant investment decision that you have to make. This is one of the fastest ways to share capital.

Another formula using capital and retained earnings from treasury stocks. This investor is called an equation if you need to calculate the authorized capital of a company and then extract income that is not distributed by the business.

The authorized capital is created upon initial investment of funds. Depositors' contributions to capital can be made in the form of tangible (monetary) and intangible assets, in the form of property. The amount of the authorized capital is announced when the company is transferred, and when the amount of capital is specified, the documents to be recalculated.

Registered capital is capital in which there is a set of contributions from participants in a full partnership or based on beliefs. These are funds that are contributed to the partnership to carry out its business activities.

Municipal and state unitary enterprises merge or, instead of the authorized capital, create, in accordance with the established procedure, an authorized fund - a set of working capital or fixed assets allocated to the company by municipal or state bodies.

A mutual investment fund is the contribution of members of a production cooperative to the general conduct of business, as well as the value of property acquired and created in the course of work.

The reserve capital includes the balances of reserve and other similar funds created in accordance with the law or constituent documents.

Additional capital is a source of funds for the company, which is formed when property is revalued or shares are sold above par value, as well as when profits are reinvested in capital investments.

Capitalized profit is the portion of net profit used to finance asset growth. It is reflected in the balance sheet as the total amount since the beginning of the company's activities. Capitalized profit can be used to determine how much the company's capital has increased as a result of its activities.

The main source of replenishment of equity capital is the company's net profit, which remains in the company's turnover as an internal source of long-term financing (Figure 1). If the company is operating at a loss, then the capital is reduced by the amount of the losses received.

There are two main sources from which equity is generated. The first source is the money originally invested in the company and all other investments that are made in the company after the initial payment, and the second source is the income earned by the company during its entire existence, minus all dividends paid.

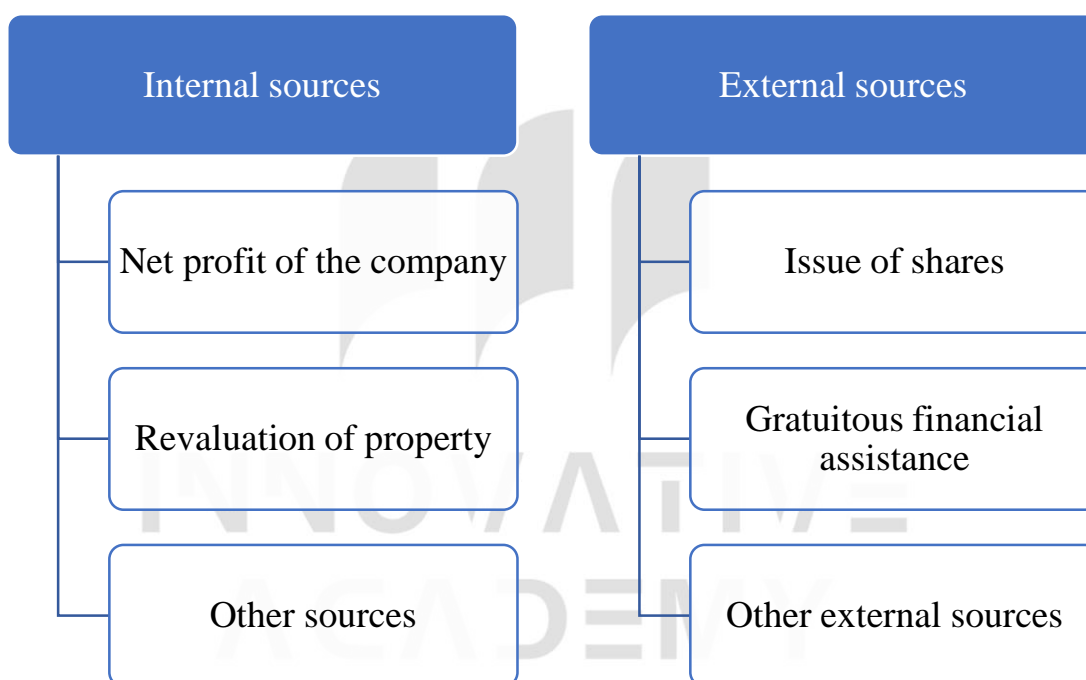


Figure 1 - Sources of the organization's own capital formation

Depreciation of fixed assets, as well as intangible assets, occupies a large share in the composition of internal sources. It does not increase the amount of equity, but acts as a means of reinvesting it. Other forms of equity include income from renting out property, settlements with founders, and so on. They do not play an important role in the formation of the company's own capital.

The main part of the external sources of equity formation belongs to the additional issue of shares. Government organizations can receive gratuitous financial assistance from the state. Other external sources include tangible and intangible assets that are donated to the company by individuals and legal entities – as charity.

In the process of forming the capital structure, it is necessary to take into account the peculiarity of each of its components.

Equity is characterized by the fact that it can be easily attracted, ensure a stable financial position, and reduce the risk of bankruptcy of the company. The need for this type of

capital is due to the requirements of self-financing companies. Their own capital is the basis of their independence and independence. The peculiarity of equity is that it is invested on a long-term basis, but is exposed to maximum risk. The greater its share in the total amount of capital, the less borrowed funds, the higher the buffer that protects creditors from the risk of capital loss, from losses.

Conclusion. However, the equity is limited in size. Financing a company's activities only through its own funds is not always beneficial for it. This is relevant in cases where production is characterized by seasonality. In this case, large amounts of money will accumulate in bank accounts at a certain time. And in other periods of time, there will be a shortage of funds. It should also be understood that if the cost of financial resources is low, and the company can provide a higher level of return on investment than it pays for credit funds, then by attracting borrowed funds the company can strengthen its position in the market, increase the return on equity.

However, if the company's funds are formed mainly through short-term liabilities, then the financial condition of the company will be unstable, since it is necessary to conduct constant operational work with short-term capital: to control their timely return, to attract other capital into circulation for a short time.

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