

IMPROVEMENT OF METHODOLOGY OF ACCOUNTING AND ANALYSIS OF INCLUDED FINANCIAL STATEMENTS AND INVESTMENTS IN SUBSIDIARY SOCIETIES

Saidmurodov Firdavs Qahramonovich

Tashkent Financial Institute, teacher

Annotation: This article describes the theoretical and methodological aspects of the preparation of consolidated financial statements in insurance companies in accordance with the requirements of international financial reporting standards, methods of accounting for investments of insurance companies. The methodology of preparation of consolidated financial statements of insurance companies, its calculation and stages of consolidation are described. Taking into account the characteristics of insurance companies, guidelines have been developed to address the problems of consolidating financial results, assets and liabilities and cash flows, as well as the preparation of financial statements.

Key words: consolidated financial reporting (CFR), control, joint control, participation in shares, significant impact, proportional consolidation, joint activity, elimination of intra-group operations, business merger, segment reporting, separate financial statements, joint stock company, financial instruments, insurance contracts, assets and liabilities, income and expenses, financial statements of the group of companies.

Introduction

One of the main directions of modernization of the economy of the republic is the proper management. The country has created a legal framework for systematic accounting and strengthening payment discipline, i.e. the Law "On Accounting" and the "National Accounting Standards".

It is known from the experience of other countries that in the effective management of enterprises it is more appropriate to create them in large groups. In this case, two or more companies merge financially and economically under one company or financial groups. In the event of a merger of a group of business entities under the control of the parent, a consolidated financial statement is prepared.

The main purpose of preparing consolidated financial statements is to fully disclose the results of the corporation's operations and financial position. Unfortunately, the current consolidated financial reporting methodology does not fully meet IFRS (International Financial Reporting Standards) requirements.

The main reasons for the formation of consolidated financial statements are:

- Absorption or merging of assets and capital for the purpose of development of the holding business, division of various businesses into legal units and financial benefits from the process of economic consolidation;

- The constant fluctuations of exchange rates of different countries in the context of inflation, the distribution of corporate profits a controversial process;
- Lack of uniform methods and procedures for bookkeeping and reporting in different countries and countries with a federal system of governance.

The above problems arose in the United States in the early twentieth century. For the first time in 1899, companies were formed in New Jersey on the basis of an economic merger in the form of corporations (holdings). Financial groups consisting of a number of dependent business entities. As of March 12, 1903, U.S. steel had a number of foreign subsidiaries with a combined market capitalization of more than 1 billion US dollars, and for the first time in its history compiled a consolidated financial statement as the largest company in the world [8].

The report became legally binding for the first time since the adoption of IAS 3 (International Accounting Standards), Consolidated Financial Statements, in 1970. In 1979, IFRS 3 was amended to IFRS 27, entitled "Consolidated Financial Statements and Accounting for Investments in Subsidiaries", and in 1983, EU Directive No. 7, Consolidated Accounts, was adopted [8].

According to International Accounting Standards, consolidated financial statements deal with the preparation and presentation of consolidated financial statements for a group of enterprises under the management of a parent. Consolidated financial statements are prepared to meet the need for information on the financial position, results of operations and changes in financial position of a group of enterprises.

In this regard, the President of the Republic of Uzbekistan Shavkat Mirziyoyev in his book "Critical analysis, strict discipline and personal responsibility - should be a daily rule of every leader".

Further improvement of monetary policy through the use of instruments in line with international experience, ensuring the stability of the national currency and prices in the domestic market" also provides for the use of advanced foreign experience and instruments in the management systems of companies.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 states: use" [1] also raises the issue of establishing cooperation with international financial institutions, including the Committee on International Financial Reporting Standards.

IFRS 15, Receipt of Contracts with Buyers, provides for the introduction of a new procedure for the recognition, measurement and reporting of receipts. Therefore, the organization of calculations in accordance with the requirements of this standard, the presentation of transparent information about income and profit in the financial statements, the means that are understandable to international investors, i.e. the most tested and effective methods and techniques, recognition and evaluation criteria, international rules and principles The introduction of a methodology for providing reliable, consistent and comparable financial information about a company's revenues, profits and distribution and share of profits using it is a matter of urgency for all countries, especially those applying IFRSs for the first time.

In our country, certain results have been achieved in the harmonization of income and profit accounting with IFRS. In particular, in accordance with IFRS 2 "Income from operating activities" and the Regulation "On the structure of costs and the procedure for determining financial results" developed a procedure for income and financial results in accordance with international standards. Procedures for the preparation, international auditing and publication of financial statements on the basis of IFRSs for enterprises with a share and other enterprises on a voluntary basis will be introduced. Ensuring the effective implementation of these tasks requires scientific research to radically improve the methodology of income and profit accounting and reporting on financial results in accordance with the requirements of

international standards in accordance with the requirements of foreign investors and other information users. Therefore, it is important to describe income and profit indicators as an element of financial reporting and to identify their components.

The deepening processes of globalization and integration in the countries of the world are leading to the transition to generally accepted international norms and standards and the growing demand for their observance. This also directly applies to accounting and reporting, which is generally accepted as an "international business language". To date, 1 international conceptual framework, 29 International Accounting Standards (IFRSs) and 17 International Financial Reporting Standards (IFRSs) and 33 interpretations of standards have been put into practice. All joint stock companies, multinational corporations and large companies operating in various sectors around the world, together with their subsidiaries and other affiliates, prepare financial statements in accordance with IFRS on a voluntary basis. Therefore, the number of countries recognizing IFRSs is increasing. Aligning accounting and reporting with the requirements of international standards, on this basis to achieve global harmonization of financial reporting, the effective use of best practices at the national level is the most pressing issue for all countries.

Unification of financial reporting in the context of modern global economic integration, harmonization of national accounting standards with international standards to improve the investment climate in developing countries, methodological issues of convergence and harmonization of financial reporting, improvement of methodology for classification, recognition, evaluation and reporting; special attention is paid to focused scientific research. These studies have resulted in improvements in financial instruments, operating segments, results of joint ventures, fair value measurement, recognition of contracts, and their presentation in financial statements, as well as additional financial reporting. However, the full implementation of these results has not been achieved in all countries, and the application of IFRSs takes into account the specifics of each country.

In our country, a large-scale work has been carried out to harmonize financial reporting with IFRS and strengthen its regulatory framework, and certain results have been achieved. In particular, the transition to international financial reporting standards, their audit and publication on the basis of international auditing standards has been introduced. As a result of the implementation of international standards in our country, "more than 700 joint-stock companies, 5008 enterprises with foreign investment" are moving to the preparation of financial statements on the basis of IFRS 2. However, these achievements do not mean that the problems of financial reporting in the country have been fully resolved.

Analysis of the relevant literature

The National Association of Accountants and Auditors of Uzbekistan, an organized member of the International Federation of Accountants, has won the right to translate and publish International Auditing Standards into the state language. An important step in this direction was the publication of the 3-volume collection "International Standards for Quality Control, Auditing, Review, Other Confidence and Related Services" in Uzbek, published in 2013 with the official permission of the International Federation of Accountants in cooperation with the Ministry of Finance of Uzbekistan [2].

Due to the lack of a national standard for compilation in the audit activities of the Republic, the International Standard for Related Services 4410 (new edition) "Compilation Agreements" came into force on July 1, 2013 or later for reports on compilation agreements.

Commenting on the need for compilation, Bulbulov F., a Tajik scholar and practitioner, said: includes.

Russian practitioner Tatarintseva E.N. considers the compilation of financial information necessary in three cases: first, the provision of additional audit services (related services) to complete the financial

statements in the event that they are not prepared for good reasons; second, the preparation of consolidated financial statements; third, the preparation of accounting (financial) reports in accordance with international financial reporting standards or the transformation (adaptation) of the national report to the international [3].

The work of the above-mentioned scholars examines the methodological issues of recognition, measurement and presentation in the financial statements of long-term assets, inventories, liabilities, income and expenses. The scientific work prepared by RD Dusmuratov and U.I. Tulaev studied the theoretical, methodological and practical aspects of financial reporting. I. Ochilov studied the issues of preparation and submission of financial statements in insurance companies. In his article, Marpatov addressed the issue of bringing the financial statements in line with international standards.

Although the research of these authors is of great scientific and practical importance, in these works the issues of harmonization of financial reporting forms with the requirements of international standards, transformation of financial reporting and application of advanced foreign methods of reporting are not sufficiently disclosed. Moreover, there is not enough scientific work devoted to the study of these problems in an interconnected way and as a whole. All this became the basis for conducting research on this topic, as well as defining its goals and objectives.

Research methodology

Methods of logical observation, critical study of the literature, analysis and synthesis, induction and deduction, comparison, classification based on certain characteristics, SWOT analysis, modeling, system analysis, and economic analysis were used in the processing of the data obtained during the research.

Analysis and results

A merger of enterprises is said to be the merger of one separate enterprise into another or the merger of one enterprise into one economic unit as a result of the acquisition of control over the net assets and production activities of another enterprise. This is mainly due to the efforts of the owners of a company engaged in any activity to establish several small independent enterprises within that company. This results in certain savings on tax payments.

In most cases, business expansion is a necessity. In this situation, transnational companies will expand their activities worldwide. Consolidation of financial statements is required to monitor the expansion of joint ventures and joint activities of enterprises. "... Reports on mergers and consolidations of enterprises: Financial statements on mergers; consolidated financial statements; financial report on participation in joint ventures" [4].

Modernization of financial reporting as an important support of management means the harmonization of the structure and content of financial reporting in the interests of information users, the introduction of the most advanced methods and techniques in the processing and transmission of information and improved reporting forms.

The Republic of Uzbekistan is gradually transitioning to IFRSs in the modernization of financial reporting. In particular, due to the harmonization of curricula with international practices, the subject "Financial Accounting" was renamed "Financial Accounting and Reporting". In this regard, it is important to bring the science of financial accounting and reporting to the world level in our country and to highlight and systematize in a new interpretation the factors that shape it as a science (Table 1).

Table 1

Fundamentals of the formation of financial accounting and reporting as a science

Basics	Description
Purpose	Providing information users with information about the financial condition of the account, its changes in the impact of transactions, the status and movement of funds, as well as income and expenses for decision-making
Accounting entities	Private enterprises, "partnership societies" *, joint-stock companies, large corporations, production cooperatives and unitary state enterprises, banks and credit organizations, budget organizations and non-governmental non-profit organizations
Subject and object	Assets, liabilities, equity, income and expenses and financial and economic events (processes)
Rules and principles	The basic fundamental rule: continuity of activity, continuity and calculation; Fundamental quality description: consistency, fairness and objective presentation
Method (methods and techniques)	A set of methods and techniques used in the recognition, evaluation, processing, grouping and transmission of information
Procedure and cycle	The most effective logical sequence of accounting actions performed in the recognition, identification, measurement, processing, preparation and presentation of financial statements measured in monetary terms
The product of the accounting process	Financial statements are the product of the results of the accounting process. These include statements and comments on financial position, profit and loss and other comprehensive income, cash flows, changes in equity, accounting policies and explanations.

Theoretical and methodological aspects of the preparation of consolidated financial statements are recognized in IFRS 10 on consolidated financial statements, IFRS 11 on Joint Venture Agreements, IFRS 27 on Separate Financial Statements or IAS. IFRS 28, Investments in Business Entities and Joint Ventures, discloses the requirements for the practical application of consolidated financial statements.

The work improved the rules for accounting for machinery and equipment, inventories, which are the main elements of financial reporting, as well as the procedure for identifying the initial cost of machinery and equipment, systematization of current assets, inventory cost formation, liability assessment and classification.

In the study, financial performance reports showed ways to reduce costs based on advanced methods, including the application of the Variable Costing system in practical examples (Table 2).

Table 2

Profit and Loss Statement in Variable Costing System (thousand soums)

Indicators	2020	2022
Sale, in currency	448,000	536,000
Variable cost of goods sold	188,160	225,120
Production contribution margin	259,840	310,880
Variable sales and administrative costs	80,640	96,480
Contribution margin	179,200	214,400
Constant overhead production costs	98,000	98,000
Fixed sales and administrative costs	52,000	52,000
Total fixed costs	150,000	150,000
Net income	29,200	64,400

Fixed costs relative to sales volume	0,33	0,28
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Such an opportunity can only be achieved through the recognition of International Financial Reporting Standards (IFRSs) and the preparation of reports in accordance with them. The new version of the Law on Accounting also recognizes that accounting entities may apply IFRSs in the prescribed manner.

The need to apply IFRS is determined by the following factors:

- Investors and shareholders in different countries will have the opportunity to better analyze the financial statements of potential companies based on the same principles, ie comparability;
- It is more appropriate for different stock exchanges in different countries to prepare a single financial statement for each of them, rather than a financial report prepared in accordance with the standards of that country. As a result, reporting costs are reduced and capital raising opportunities are expanded.

International financial reporting refers to financial statements prepared in accordance with IFRS or U.S. GAAP standards. These two types of standards regulate the preparation and submission of financial statements for all stock exchanges around the world and are recognized by these exchanges.

Financial statements prepared on the basis of IFRSs improve the investment climate. It allows large companies to invest in the country.

The current reform of accounting and reporting in our country to international standards is aimed at generating useful information for interested users. Reports prepared using international standards contain a large amount of information about the business entity and ensure the transparency of financial information.

Practice shows that the use of international standards in reporting by an entity allows, firstly, access to international capital markets, and secondly, it can attract investment on more favorable terms. Information about an entity that prepares an IFRS report is sufficient for a potential investor to understand and assess the risks associated with their financing. It should be noted that the main purpose of the conceptual framework is to make IFRS reports as useful as possible for users.[14]

Quality features, fundamental and other features are intended to assist professionals in international standards. However, a separate feature should not be given priority, otherwise the information will not be useful. As O.G. Zhitlukhina points out, “fundamental quality features include a number of other features. For example, the appropriateness of information is affected by the value of the forecast, the importance of the information. Accurate presentation is also influenced by the following features: usefulness of information, objective reflection, absence of errors. Relevance is also included in the fundamental features. The relevance of information means that it can be used for decision-making and evaluation.”[8] The full set of financial statements governed by IFRS, First-Time Financial Reporting, includes “balance sheet, profit and loss statement, statement of changes in equity, cash flow statement, accounting policy and explanatory note”. All reporting forms are basic and must be compulsorily compiled. It should be noted that the exact name of the listed forms is not mandatory (according to IFRS “First-time application of financial statements”) and may be changed by organizations, but at the same time the names of reporting forms 6 should reflect the economic nature of financial indicators should be clear. The first and foremost requirement that an IFRS financial statement must meet is the reliability of the information it reflects.

In our opinion, in order to provide reliable reports to users, it is necessary to:

- ensure compliance with all applicable IFRS;
- Development and consistent application of accounting policies in accordance with IFRS 8 Accounting Policies, Changes and Errors in Accounting Estimates;
- providing information with the following characteristics: comprehensibility, relevance, reliability and comparability;
- disclosure of additional information, if necessary (especially if compliance with IFRS requirements does not allow to adequately assess the impact of events and operations on the results of operations and financial condition) [9].

It should be noted that a reliable report allows users to predict the future cash flows of the business entity (including the probability and periods of their occurrence), as well as to make effective management decisions based on it. An important aspect in the preparation of reports is the principle of continuity, ie the ability of the business entity to continue its activities on a regular basis.

If there is uncertainty in this matter or the entity plans to cease operations (unless there are other alternative solutions), it is required to disclose these circumstances in the report. Assessing an entity's ability to sustain its operations on a permanent basis, its management must take into account the full range of information about the future for at least 12 months. In our opinion, it is necessary to analyze many factors related to:

- current and future profitability;
- debt repayment terms;
- potential sources of funding, etc.

It is known that business entities are required to submit financial statements under IFRS at least once a year. The report shall reflect the status of the reporting period and the date of completion of the report or its submission for a period shorter or longer than one year, as well as disclose the circumstances of use of such reporting period. Some changes to IFRS require users to be informed in detail about the effect of changes in the estimated values of variables on the activities of the organization on the value of the elements of the financial statements 7 in the future situation [15].

Conclusions and suggestions

The purpose of financial accounting and reporting, the subjects of accounting, the subject (object), rules and principles, method (methods and techniques), procedure and cycle, the product of the accounting process, the availability of information users are the factors determining its formation as an independent science. Improved definitions of the concept of "financial reporting" by defining the information contained in the financial statements and clarifying the sequence of implementation and the process of reorganization, as well as the characteristics of financial reporting, classification by different features of financial reporting, the systematization of a group of information users plays an important role in improving the theoretical foundations of financial reporting. The inclusion of key principles such as consistency, objectivity and fairness in the fundamental quality characterization principles recognized by the international community harmonizes conceptual rules with international standards, strengthens the regulatory framework of accounting and ensures the transparency of financial statements.

Improving the content and structure of the "Cash Flow Statement" in accordance with international and national standards and the requirements of the transformation will allow to prepare the report directly and indirectly on the basis of the statement of financial position and the statement of profit and loss and other

comprehensive income. The development of transformation formulas as a methodological solution to these problems facilitates the compilation of the report, ensuring the accuracy and interdependence of its data.

The "Report on changes in private capital" includes the allocation of authorized capital to share capital and share capital, as well as the full formation of share capital and separate columns for ordinary shares (nominal value), preferred shares, reserve shares and total share capital and their movements the development of proposals for the separation of leading lines will bring the report in line with international standards and increase its ability to carry useful information. The proposed new format of this report ensures the interconnectedness of the reporting forms and the transformation based on international financial reporting standards.

National Accounting Standard of the Republic of Uzbekistan No. 8 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries", registered on December 28, 1998, No. 580 for the application of a single international accounting policy for consolidated financial statements, taking into account the characteristics of companies The introduction of specific aspects of insurance activities within the requirements of IFRS, financial consolidation and the development of specific financial analysis indicators on the basis of normative documents.

- 1) Ensuring the uniformity of accounting data for various insurance companies in the insurance market within the requirements of international practice and a single system of criteria for its analysis before the formation of consolidated financial statements of insurance companies in Uzbekistan;
- 2) When compiling the consolidated financial statements of insurance companies, it is necessary to remove the balances in the turnover and accounts of reinsurance transactions between the participants of the economic association and make adjustments to the relevant accounting accounts;
- 3) It is necessary to develop uniform regulations and guidelines for ensuring the comparability of consolidated financial statements of insurance companies and reporting data in accordance with IFRS 17) "Insurance contracts" of participants in the economic merger of insurance companies;
- 4) Lack of a single methodological framework for the formation of consolidated financial statements of insurance companies therefore, methodological recommendations on identification and identification of intra-group transactions in order to eliminate them, and the implementation of the above sequence and consolidation steps, are necessary.

In summary, the consolidation procedure is achieved by ensuring the integrity of IFRS accounts, accounting policies and worksheets used in the group of insurance companies, keeping records in accordance with IFRS and selecting the most appropriate method of preparing financial statements.

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