

Theoretical Basis of Organizing Financial Assets Accounting in Enterprises

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Abstract:

General Background: Financial asset accounting is a critical aspect of financial management, ensuring transparency, accuracy, and compliance with international standards. Regulatory frameworks play a crucial role in standardizing accounting practices across enterprises, enhancing financial stability and investor confidence. **Specific Background:** In Uzbekistan, financial asset accounting is primarily governed by National Accounting Standard 12, along with International Financial Reporting Standards (IFRS) such as IFRS 7, IFRS 9, and IAS 32. However, challenges remain in aligning national standards with global financial reporting requirements. **Knowledge Gap:** The absence of a comprehensive regulatory framework and inconsistencies in financial asset classification, valuation, and reporting limit the effectiveness of existing accounting practices. **Aims:** This study aims to analyze the current regulatory framework for financial asset accounting in Uzbekistan, identify key issues in its implementation, and propose necessary reforms for improved compliance with IFRS. **Results:** The research highlights deficiencies in initial recognition, classification, revaluation, impairment, and disclosure of financial assets under current national regulations. **Novelty:** The study provides an in-depth assessment of Uzbekistan's financial asset accounting framework and presents strategic recommendations for updating regulatory documents in line with IFRS. **Implications:** The findings emphasize the need for regulatory reforms to enhance financial reporting transparency, risk assessment methodologies, and investor confidence, ultimately fostering a more robust financial ecosystem in Uzbekistan.

Keywords: financial assets, financial instruments, equity financial assets, financial assets representing debt obligations, financial investments, currencies, securities, accounts payable.

One of the most relevant topics in the global economy is the effective operation of enterprises while ensuring economic and financial stability. The primary goal of economic reforms carried out in our

country since independence is to increase the financial stability of production entities operating in the real sector of the economy and ensure continued economic growth.

Today, the proper management of financial assets, which are one of the most important elements of accounting, and the proper organization of their accounting are of particular importance in the effective management of enterprises.

Financial assets play a key role in achieving sustainable business operations and are a key element in the effective management of enterprise finances. First, financial assets allow business entities to attract the necessary investment funds for the development of their activities. This is important for enterprises that are starting a new business and are seeking to expand their activities. Second, they allow production entities to prevent various risks that may arise due to price changes in the supply process by using instruments (futures, options and swap contracts). Third, given that the ability of any financial assets to be converted into money is higher than that of other types of assets, it is important for the enterprise to create a basis for ensuring the sustainable conduct of its operational activities by increasing the amount of financial assets. Fourth, they create the opportunity to earn income not only by attracting investments to enterprises, but also by directing the existing free cash of the business entity to investment.

In order to properly manage financial assets and achieve the above goals and objectives, accurate and truthful information is required. Since the accounting department of the enterprise is engaged in the formation of this information, improving the accounting of financial assets of the enterprise in accordance with the requirements of international financial reporting standards is one of the urgent issues of today.

Proper organization of accounting for financial assets in business entities has a significant impact on the economic growth of the enterprise and the country. Proper organization and effective management of financial assets accounting helps to prepare transparent financial statements. This, in turn, increases the confidence of investors and creditors in the financial condition and future activities of the enterprise, resulting in increased investment flows to the enterprise and growth in business activity[5].

Effective accounting of financial assets allows for a more accurate assessment of the value and financial condition of companies. This encourages the attraction of external capital to finance future new projects and expand the enterprise's activities. Systematic organization of accounting for financial assets allows enterprises to effectively use their resources, minimize the likelihood of losses and increase the profitability of the enterprise's activities. This is considered a guarantee of sustainable growth. In addition, the correct organization of accounting for financial assets has a direct and indirect impact on preventing financial risks for the enterprise, attracting new modern equipment and technologies to the enterprise, and increasing the competitiveness of the enterprise[6].

The theoretical basis for accounting for financial assets is based on the following:

- ✓ The ability to use information,
- ✓ The economic essence of the asset,
- ✓ Dynamic evaluation methods.

These principles provide an opportunity to increase the reliability of financial statements, attract global investments, and effectively manage economic resources. However, when implementing IFRS, it is necessary to take into account the characteristics of the national economy and the capabilities of enterprises.

are fully consistent with the goals of the reforms that our country is currently undertaking. This can be seen from the content of the resolutions and decrees being adopted.

The Resolution of the President of the Republic of Uzbekistan PQ-4611 “On additional measures on the transition to international financial reporting standards” adopted on February 24, 2020, aims to provide foreign investors with the necessary information environment and expand access to international financial markets by accelerating the transition to international financial reporting standards in the republic, as well as improving the system of training accounting and auditing specialists in accordance with international standards.

The accounting of financial assets of enterprises is practically organized in accordance with the National Accounting Standard 12 “Accounting for Financial Investments” as stipulated in regulatory legal documents. In accordance with the requirements of Resolution PQ-4611, National Accounting Standard 12 needs to be improved in accordance with the requirements of International Financial Reporting Standard (IFRS) 7 “Financial Instruments: Disclosure”, International Financial Reporting Standard IFRS 9 “Financial Instruments”, International Accounting Standard (IAS) 32 “Financial Instruments: Presentation” and International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement”. This will allow business entities to organize and maintain accounting for financial assets in accordance with the requirements of international standards.

According to the requirements of International Accounting Standard (IAS) 32 “Financial Instruments: Presentation”, the following are considered financial assets:

- ✓ funds;
- ✓ equity instruments of another business entity;
- ✓ the following contractual rights:
 - receiving money or another financial asset from another business entity;
 - exchange of financial assets or financial liabilities with another business entity on terms that are potentially favorable to the business entity;
- ✓ Contracts that are or may be settled in the entity's own equity instruments:
 - (i) that imposes or may impose on the entity an obligation to receive a variable amount of its own equity instruments *noderivativlar*;
 - (ii) derivatives that are or may be settled by a method other than the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments [3].

National Accounting Standard 12 does not provide financial assets and their definitions. This standard provides for the division of an entity's financial instruments into long-term and short-term types based on their maturity, but *noderivativlar* does not provide explanations for derivatives and derivatives. It can be seen that the explanations, definitions and rules provided in International Financial Reporting Standards IFRS 32 "Financial Instruments Information" and IFRS 9 "Financial Instruments" are presented in a simpler and more concise manner in National Accounting Standard 12 "Accounting for Financial Investments".

The main differences between the standards include:

- objects regulating the accounting process ;
- 2. Initial recognition and evaluation;
- 3. Classification of financial assets for the purpose of revaluation;
- 4. Revaluation of financial assets;
- 5. Impairment of financial assets;
- 6. Issues of disclosure of information about financial assets.

The requirements for accounting for financial assets are constantly evolving. Today, IAS 9, IFRS “Financial Instruments: Recognition and Measurement,” replaces the previously applicable IAS 39, “Financial Instruments,” and is effective for financial statements for the year 2018 [3,4]. This standard updates the classification of financial assets. The classification of financial assets is based on the business models for managing them. This directly impacts the subsequent accounting process and the recognition and measurement of financial assets .

International Financial Reporting Standards (IFRS) are:

- **Internationally compatible and comparable reporting** . International Financial Reporting Standards are used in more than 150 countries around the world, making it possible to compare companies' financial statements internationally. This increases efficiency for investors and multinational corporations.
- **Transparency and full disclosure of information.** Detailed disclosure of information on IFRS financial instruments (e.g., IFRS7) provides the basis for a proper assessment of the value, risks, and performance of assets.
- **The primacy of economic content over form.** IFRS The organization of the accounting process based on the principles of the principle of the primacy of substance over form. This allows us to reflect the true state of financial assets.
- **Ability to make informed decisions in risk management.** IFRS The “expected credit loss” model introduced in 2019 allows companies to identify credit risks in a timely manner and create reserves. This proaktiv increases the effectiveness of risk management[2].
- **The existence of a requirement for valuation based on fair value.** IFRS The market value of assets, in accordance with the 13 guidelines, provides important information for decision-making, explaining current market conditions.
- **Cost optimization opportunity.** Using a single international standard for multinational companies will allow for reduced audit , financial reporting, and compliance costs.
- **Informed information for decisions.** Standardized accounting allows investors, creditors, and other stakeholders to accurately analyze financial performance.
- **Dynamic updates.** IFRS is constantly updated to reflect changes in financial markets (for example, IAS 9 replacing IAS 39), which ensures that the accounting is up-to-date.
- **Classification adapted to the business model.** The ability to divide IFRS assets into “depreciated value”, “ value FVOCI through profit and loss fair” OCI, and “ value FVTPL through profit and loss fair” reflects the business strategies of companies[1].
- **Increased investor confidence.** IFRS Transparent and consistent application of will increase investor confidence in the reports, which will help reduce the cost of capital.

IFRS has advantages such as transparency in accounting for financial assets, international comparability, risk management, and creating an informed basis for decisions. This provides companies with a competitive advantage on a global scale.

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