

ANALYSIS OF THE BALANCE SHEET OF AN ECONOMIC ENTITY BASED ON INTERNATIONAL ACCOUNTING STANDARDS

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Annotation: *In this article, research on the analysis of the balance sheet of an economic entity based on international accounting standards was conducted by the author. The article examines scientific and theoretical research on this topic, and presents examples and conclusions from them.*

Keywords: *research, accounting, accounting standards, international accounting, IFRS, International Financial Reporting Standards.*

INTRODUCTION

Companies preparing financial statements for the first time in accordance with IFRS must follow the standard of IFRS No. 1 "First-time application of international financial reporting standards". This standard was developed in 2003, and later some changes were made to it.

LITERATURE ANALYSIS AND METHODS

The purpose of the standard is to ensure that the company's first financial statements prepared under IFRS and interim financial statements for a part of the period covered by these financial statements have high-quality information. This information must meet the following requirements:

- (a) information should be transparent and comparable to users for all periods presented;
- (b) represents the necessary starting point for accounting in accordance with IFRS;
- (c) the costs incurred for the preparation of the information must not exceed the benefits derived from the information.

An organization should apply this standard in the following cases:

- (a) when making a first-time report on the MFRS;
- (b) when preparing each interim financial report prepared in accordance with IAS 34 Interim Financial Reporting (if such reports are prepared) for the part of the period covered by the first financial report prepared under IFRS.

In such reports, the company adopts all international financial reporting standards and must make a clear and unconditional statement that the reports are prepared in accordance with IFRS.

The first IFRS financial statement for a company is the first annual financial statement in which IFRS rules are used to prepare the financial statements and a statement that the statements are prepared in accordance with IFRS.

The prepared financial report is the first financial report of the Company prepared according to the MHSS in the following points:

(a) the company's financial statements for the most recent preceding period:

(i) is made in accordance with national regulations that are inconsistent in all respects with the CISG;

(ii) the report complies in all respects with the requirements of the MFRS, but does not contain a clear and unconditional statement that it is prepared in accordance with the MFRS;

(iii) a clear statement that the report is prepared in accordance with some but not all ESAs;

(iv) If the report is prepared in accordance with national regulations that are not in accordance with the MFRS, and the standards of the MFRS are used because there is no solution in the national regulations for some items in the report;

(v) the report is prepared under national rules, including a comparison of certain amounts calculated under the MFRS with amounts calculated under national rules;

(b) prepared the report on the MHSS only for internal users, and the report was not presented to the owners of the company and other external users;

(c) if an information package is prepared in accordance with IAS for consolidation, but the entire set of financial statements is not prepared in accordance with IAS No. 1 "Presentation of Financial Statements" standard;

(d) financial statements for prior periods have not been submitted.

RESULTS

Reporting transformation process is usually used in preparation of financial statements for MFRS. The transformation process is the recalculation of the reporting data prepared in accordance with the national accounting standards (BHMS), through correction and reclassification, and the preparation of a report according to the International Financial Reporting Standards (IFRS). IFRS No. 1 "First-time adoption of IFRS" is a generally accepted accounting standard.

There is no single algorithm for the transformation of financial statements, and in each case experts use their own methods that are most suitable for the company.

1. Determination of reporting date and transition date.

The company will have to prepare and submit an introductory statement of financial position under the MFRS on the date of transition to the MFRS. In this way, the Company creates the necessary starting point for keeping accounting records in accordance with the MFRS.

When preparing a report for the first time on the MFRS, it is necessary to clearly distinguish the reporting date (the end of the reporting period) and the date of transition

to the MFRS (the beginning of the period when comparative data for the periods before the reporting period are presented).

Another requirement of the MFRS is the need to provide similar (comparable) data for at least one previous period. For example, a company prepares its financial statements for the first time under MHHS as of December 31, 2021 (the reporting date). The starting point at which a company starts applying MFRS should be at least two years before the reporting date in order to comply with the principle of comparability of data. The date of transition to international standards of financial reporting (IFRS) - the beginning of the period in which comparative information on IFRS is presented for periods before the first reporting period prepared according to IFRS - 01.01.2020.

The first reporting period for the MFRS - the last reporting period of the company's MFRS report - 01.01.2021 - 31.12.2021.

The first report on MHXS – the first annual financial report of the Company prepared according to the rules of MHXS with a clear and unconditional statement that the financial report is in accordance with the standards of MHXS – 2021.

Report on the initial financial status of the MHXS - financial status report prepared on the date of transition to the MHXS - 01.01.2020y.

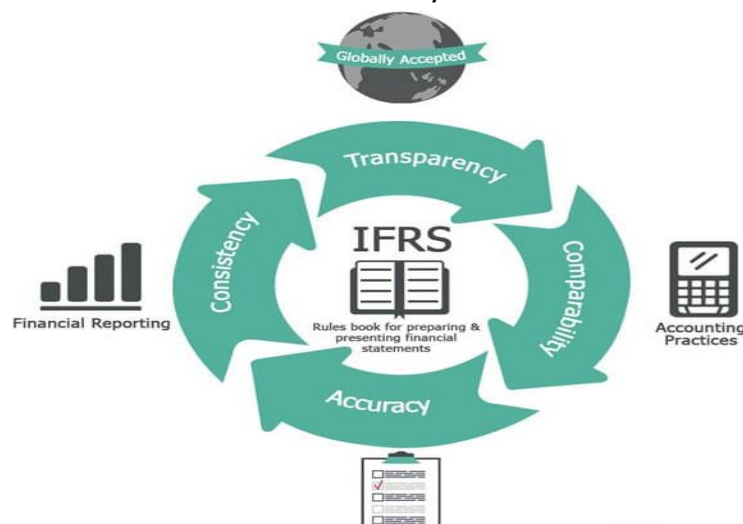


Image 1

2. Formulation of the accounting policy in accordance with the MHSS

The company must draw up and approve a new accounting policy in accordance with MHXS. This accounting policy must be in effect at the reporting date. The same accounting policy should be applied for all periods presented, including the opening (opening) balance of the MFRS.

When applying the MHXS for the first time, the Company does not have the right to use other versions of the MHXS that were in force earlier (but have lost their validity as of the reporting date). A company may apply a new MFRS, which is not mandatory, but has an early application guidance.3. Clarification of items of assets and liabilities according to MHSS

After the approval of the accounting policy, the company must analyze all its assets and liabilities on the date of transition to the IFRS for recognition or derecognition in accordance with the IFRS.

In this case, the asset or liability should be recognized under IFRS even if it is not reflected under national standards and vice versa. In particular, a company may not be required to reflect deferred assets or liabilities in accordance with national standards, but such items should be reflected under IFRS (for example, deferred taxes arising from the revaluation of fixed assets). Or, in accordance with national standards, the company created a provision by revaluation of fixed assets, while under IFRS the provision may not be recognized.

4. Valuation of assets and liabilities under the MFRS

Valuation of balances and amounts presented in the opening balance sheet in accordance with IFRS should be carried out in accordance with IFRS. As a result, all recognized assets and liabilities must be measured in one of the following ways:

- at cost;
- at fair value, i.e., the amount in the transaction concluded between the interested and independent parties for the replacement of the asset or the compensation of the liability;
- at discounted value.

The next step is to assess the assets and liabilities recognized for IFRS purposes. As in the case of recognition, there are differences in the valuation of assets and liabilities between BHMS and MHXS. They may relate to the items to be capitalized as well as the estimation of future cash flows of assets or liabilities. For example, according to MHXS, leased fixed assets are recorded at the discounted value of lease payments, and according to BHMS - at the nominal value of lease payments.

The difference in approaches to the formation of the balance sheet value of assets and liabilities can lead to practical difficulties in their application. For example, when estimating the initial cost of fixed assets included in the entry balance sheet in accordance with MHXS, problems may arise due to the lack of information about their acquisition costs.

In such a situation, MFRS No. 1 offers the following solution: the company can enter fixed assets in the opening balance sheet at their fair value, which is considered to be their "notional initial" value at the date of transition to MFRS. This approach is also useful for companies that want to increase the value of their assets at the date of transition to MFRS. The use of this method does not mean that in the future the company must choose the revaluation model of fixed assets. Also, the results of revaluation according to national standards are not reflected in the tax calculation.

5. Adjustment of the value of capital and reserves

After the company completes all the steps listed above, a situation may arise where the value of its net assets differs from the amount of capital and reserves formed in

accordance with the legislation of Uzbekistan. According to IFRS 1, this difference should be reflected in retained earnings.

DISCUSSION

A uniform accounting policy must be applied during the transition period (in the example, the transition period is three years: 2019, 2020, 2021).

When preparing the first set of financial statements, it is necessary to perform certain actions step by step.

Step 1. All standards in effect at the date of the first report should be used. - This means that if the transition date (comparative data) is 12/31/2019. and the report is due on 31.12.2021. if it was made in, then 31.12.2021y. the standards applicable in At the same time, Khali may apply the new MHXS, which is not mandatory, but has an indication that it can be applied earlier. In practice, most companies adopt new standards early (note that not all standards allow early adoption of new standards).

Step 2. Determining the standards to be applied before the reporting date. For example, in 2018, the company had a leasing operation, but in 2019, it did not.

Step 3. Identifying the exceptions to be applied.

The general requirement of an IASB is to apply retrospectively the requirements of all applicable IASBs at the reporting date. MHCS No. 1 allows for two types of exceptions to the retrospective program:

- mandatory exceptions;
- optional exceptions.

Mandatory exemptions are mandatory for all organizations applying the MFRS for the first time. The essence of discretionary exceptions is that the company has the right to choose whether or not to apply these exceptions. They are related to the retrospective application of IFRS standards (as if the company had always applied IFRS since the transaction occurred).

An example of a voluntary exception: a company can include fixed assets, investment property in the opening balance sheet at their fair value, which is considered to be their "notional starting" value at the date of transition to MFRS.

According to MFRS No. 1, the organization must use the valuation calculations for the first-time application of the MFRS with the valuation calculations adopted when applying its national standards as of the same date. If there is objective evidence that these calculations are incorrect, for the purposes of MHHSS, the calculations of the assessment, which differ from those used in the national standards, are used. An example is a change in the useful life of fixed assets (in particular, when a profit is obtained from the operation of fully depreciated equipment). Step 4. Organizing the preparation process and making it optimal (optimum for the company). For this, it is necessary to arrange a number of measures:

1. determining the perimeter of consolidation (the composition and structure of ownership is analyzed in the preparation of consolidated financial statements, direct,

effective ownership interests and the share of non-controlling shareholders are determined);

2. Development of an accounting policy in accordance with the IFRS (when preparing consolidated financial statements, each organization that is part of the defined perimeter of consolidation must apply a single accounting policy in accordance with the IFRS);

3. Analysis of all assets and liabilities on the date of transition to IFRS for recognition or derecognition in accordance with IFRS;

4. transformation (or parallel or mixed accounting), consolidation (in the preparation of consolidated financial statements), collection of data packages, development of transformation model methodology; before that, it is necessary to analyze the field of the company's activity, to identify the main differences between the reporting items of the National Accounting Standards and the MHSS Standards, and to formulate a list of the main amendments. Step 5. Perform transformation and consolidation adjustments.

The following adjustments should be made when forming the entry (initial) balance sheet for the transition date according to MHXS:

- Recognition of all assets and liabilities that should be recognized under IFRS (for example, recognition of financial leases, recognition of liabilities for dismantling fixed assets or environmental cleanup);

- Write-off of unrecognized assets and liabilities under IFRS;

- Reclassification (reclassification) of assets, liabilities and capital items in the balance sheet in accordance with the IFRS;

- Carry out valuation of all assets and liabilities in accordance with MFRS. Analysis of how well assets and liabilities meet the criteria for recognition under IFRS, whether their value is correctly formed (for example, revaluation of the value of materials or equipment that have not been in operation for a long time).

Valuations should be made using data available at each date. If in 2018 there is doubt about the repayment of receivables, and in 2019 the debtor's financial situation has improved, in that case, during the preparation of the report for 2018, the receivables should be written down, and in 2019, the receivables should be restored.

Step 6. Compilation of the report on MHXS.

The composition of the first set of financial statements according to IFRS is determined by the requirements of IFRS No. 1 "First-time application of IFRS":

- Three balances (as of the transition date (for example, end of 2019), beginning of reporting period (for example, beginning of 2021 or end of 2020), end of reporting period (for example, end of 2021);

- Two reports - a statement of profit and loss and other consolidated income (for example, for 2021, and for 2020 as comparative information);

- Two reports - cash flow statement;

- Two reports - a report on changes in private capital;
- Disclosures for all periods listed above (including comparative periods).

IFRS No. 1 "First-time Adoption of IFRS" standard does not provide exceptions to the requirements related to disclosures. Therefore, the lighting must be brought in compliance with all requirements.

In the first financial report, the company explains how the transition from BHMS to MHXS affected its financial position, financial results of operations and cash flows. In the first financial report, the rules of the Company's transition to the MHXS should be explained, as well as comparative information on the "capital" and "comprehensive income" items (before and after the transition) should be provided.

Also, comparative information should be provided on the adjustments made to the "capital" and "retained earnings" items. This comparative information is not required in subsequent periods.

To facilitate the process of preparing the first set of financial statements and reduce the number of errors, companies usually offer consultants with sufficient experience and competence to help prepare the first set of financial statements.

One of the difficulties encountered in the first application of MFRS is to determine the historical cost of fixed assets. Often, the company does not have this information, and there is a need to engage an independent appraiser, which means that companies take the opportunity to evaluate certain non-current assets at fair value at the date of transition to MFRS. This discretionary exception allows the company not to determine the book value based on the initial cost of assets, taking into account depreciation, impairment and hyperinflation.

CONCLUSION

During the transition of production enterprises to MHXS, it is often observed that the assets under BHMS are fully depreciated, but continue to be used, and the number of such assets is significantly higher. Since the company continues to benefit from the operation of the asset, it is appropriate to change the useful life of the asset for the purposes of MHXS. In order to take into account the minimum value of fixed assets, making an adjustment for objects that are less than the limit set in BHMS (generally up to 50 times of BHM) is carried out in practice if the value of fixed assets is significant. is increased. In BHMS, assets whose value is less than the limit are written off as expenses of the current period when they are put into operation, while in MHHS they are included in fixed assets. There is no fixed value criterion for the inclusion of assets in fixed assets in MFRS, but such a criterion exists in the accounting policies of a number of Western companies. When preparing reports, it is necessary to maintain a balance between the costs of this preparation and the usefulness of the information.

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