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IMPROVING THE STATUS, MOVEMENT AND OBSOLESCENCE ACCOUNT OF CONSTRUCTION MACHINERY

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ABSTRACT

This article describes condition of existing construction machinery of construction companies operating in our country and ways to improve traffic accounting. It is important that any business entities operating in the country, including construction companies, accurately reflect the accounting and positively establish the control function. The direct revaluation method should be used to determine the current value of the equipment. In cases where the initial (replacement) value of fixed assets is revalued in accordance with paragraph 26 of NAS No. 5, their cumulative depreciation on the revaluation date is adjusted to the relevant change indices in the initial (replacement) value of fixed assets.

KEYWORDS: *Construction Organizations, Accounting, Construction Works, Construction Machinery, Construction Machinery Movement, Accounts Chart, Construction Machinery Condition.*

INTRODUCTION

The large-scale reforms implemented within the state program framework "Action Strategy" on the five main priorities of the country's development in 2017-2021 are also giving result in the construction companies' activities. In particular, it was adopted a radical reform of the construction industry, the widespread introduction of modern foreign experience in construction practice on the basis of national and international standards, and most importantly to ensure the accuracy, reliability and information transparency on the status, movement and accounting of construction machinery, a number of normative and legal documents. In particular, the following tasks play a key role in the state program, i.e.:

✚ removal of obsolete and not used in practice technologies and machines in the estimate documents preparation, revision in the introduction of market mechanisms. [1]

As noted in Presidential address of the Republic of Uzbekistan Sh.M.Mirziyoev to the Oliy Majlis on December 29, 2020, "Over the past 4 years, serious steps have been taken to introduce market mechanisms in all our economy sectors. The task now is to lay the foundation for long-term sustainable growth through deep structural reforms". [2]

Literature analysis. Accounting plays an important role in the construction companies activities in the Republic of Uzbekistan, taking into account the condition and movement of construction machinery. It is important that any business entities operating in the country, including construction companies, accurately reflect the accounting and positively establish the control function. According to the Law of the Republic of Uzbekistan "On Accounting", accounting consists of a regulated system of collection, registration and generalization of accounting information through a complete, continuous, documentary accounting of all business transactions, as well as the preparation of financial and other reports. [3]

It is known that many economists and researchers of our country have conducted direct research in the construction machinery, i.e. in the scientific research in the fixed assets structure in the activities of construction companies.

Economists of our country N.A. Makhmudova [4] have developed theoretical and practical skills on the operation of direct lifting machines and equipment in a cyclic mode, and the mutual kinematic scheme and the position and movement of structural cranes and loaders, features of construction machinery i.e. their description of road construction machines in quality use have scientifically substantiated by T.I. Askarhojaev, Kh.N. Dimitov, R.O. Shukurov, A.O. Ikramov, S.I. Ibrokhimov, Z.O. Maksudov, M.T. Umirov [5], K.B. Urazov [6] contributed to the vast practical and theoretical knowledge and skills harmonization in the basic accounting basis substantiation in all accounting operations substantiation in construction organizations operating throughout the country. Today, many international and national procedural principles are being studied in theoretical and practical aspects of accounting for machinery and equipment in construction companies and improving their condition, movement accounting¹.

Research methodology. As a result of this research, systematic analysis, accounting methods were used to study the construction machinery state and movement in construction organizations on the basis of international standards.

Analysis and results. The status and movement of existing construction machinery in the construction companies operating in the country, as well as their receipt and sale is an important treatment for the construction company. Therefore, it is expedient to pay special attention to the construction companies operations on the income and expenditure of construction machinery.

"SUFAT I D" LLC construction company purchased a crane XCMG QY25K5-C (EURO-5) from "NAVOI PROM GRAND" LLC at 1,612,210,000 soums cost (as of the date of registration of the customs cargo declaration). The amount of the accumulated exchange rate difference is 10,000,000 soums. It is advisable to record these transactions in the following accounting records.

TABLE 1² REFLECTION OF OPERATIONS RELATED TO THE IMPORT OF FIXED ASSETS (CONSTRUCTION MACHINERY) IN THE ACCOUNTING RECORDS

№	The content of the business transaction	Amount, (thousand soums)	Correspondence*		The basis document
			debit	credit	
1.	Construction machinery was purchased for a fee	1 612 210,0	0820	6010	contract, invoice
2.	Construction machinery was introduced	1 612 210,0	0100	0820	act
3.	According to the additional agreement, the construction machinery will be provided free of charge	1 612 210,0	6010	8530	contract, act
4.	The exchange rate difference was reflected as income	10 000,0	6010	9390	contract, calculation

When fixed assets (construction machinery) are put into operation, their value is reflected in the correspondence with the account 0820 on the account debit 0130 "Machinery and equipment". When concluding an additional agreement on the transfer of equipment free of charge, its initial value must be reflected in the account 8530 - "Property received free of charge." When closing the account 6010 "Accounts payable to suppliers and contractors" on the date of the additional transaction, the balance of the accumulated exchange rate difference in the account 9390 - "Other operating income" should be reflected as income.

In the existing construction organizations operating in the country, the use of specific methods based on the accounting functions in the construction machinery sale is important. In construction organizations, fixed assets (construction machinery) can be reduced due to their sale, liquidation, free transfer, included in the cost of the facility and other costs. These transactions are reflected in the account with the following accounting transfers.

TABLE 2³ ACCOUNTING FOR TRANSACTIONS ON THE EXPENDITURE OF FIXED ASSETS (CONSTRUCTION MACHINERY) IN CONSTRUCTION ORGANIZATIONS

№	The operation content	Amount	Correspondence* [7]		The basis document
			Debit	Credit	
Sale of fixed assets (construction machinery)					
1.	Sale value of fixed assets (construction machinery) (without VAT)	600 000,0	4010	9210	Contract, invoice
2.	To the amount of VAT (if the enterprise is a VAT payer and subject to taxation). VAT rate is 15% ⁴ . (600 000,0*15/115)	78 260,9	4010	6410	Contract, invoice
3.	To the initial value of the main	500 000,0	9210	0130	Contract,

	engine (construction machinery)				invoice
4.	Write-off of accumulated depreciation of fixed assets (construction machinery)	120 000,0	0230	9210	Contract, invoice
5.	Write-off of revaluation reserve	80 000,0	8510	9210	Accounting
6.	Profit from sales	300 000,0	9210	9310	Form 2
7.	Damage from sales	-	9430	9210	Form 2

Based on the data in the table above, it is advisable to implement fixed assets (construction machinery) in any business entities activities, including construction companies. It should be noted that on the basis of the data in Tables 1-2, the fixed assets expression features (construction machinery) in the accounts of profit (9310) or loss (9430) as a result of income and expenditure are highlighted.

“SUFAT I D” LLC has technological equipment for the liquid concrete production with a recovery cost of 1,393,702,013 soums. Its obsolescence is 100%, the residual value is zero. The equipment is in good condition and is used in the production of liquid concrete products. The equipment was evaluated by an independent appraiser to adjust its value to market prices and to make a realistic calculation of the produced liquid concrete product cost. According to the appraisal act, the market residual value of this equipment on the appraisal date is 1,200,047,119 soums. It is important for the construction organization to reflect the change in this equipment value in accordance with NAS 21. In this regard, it is necessary to pay special attention to the fact that this change is the organization income and the tax consequences.

According to paragraph 45 of NAS № 5 "Fixed assets"⁵ which is one of the existing by-laws in the country, the useful life of fixed assets can be revised by the enterprise, taking into account the costs that improve the condition of fixed assets and, consequently, prolong service life. “SUFAT I D” LLC should extend the useful life of the equipment and make appropriate changes to the technical documentation. The direct revaluation method should be used to determine the current value of the equipment. In cases where the initial (replacement) value of fixed assets is revalued in accordance with paragraph 26 of NAS No. 5, their cumulative depreciation on the revaluation date is adjusted to the relevant change indices in the initial (replacement) value of fixed assets. Depreciation is then calculated from the revalued amount. Since only the residual equipment value (the difference between the initial value and the obsolescence amount) is specified in the appraisal act, determine the initial value of the equipment and the amount of obsolescence on January 1, 2020 by calculation for revaluation according to NAS № 5 and NAS № 21 should.

Since “SUFAT I D” LLC does not provide information on the "old" and "new" service life of the equipment, we offer the **following method** of calculating its initial cost and the amount of depreciation.

1. On the revaluation date, the construction machinery obsolescence degree is determined as a percentage. It is equal to the sum of the service periods divided by the newly defined service life

and multiplied by 100% until the full depreciation of the equipment and then the revaluation date.

The obsolescence rate of the construction machinery at the revaluation date⁶ is calculated using the following formula, i.e.:

$$\frac{QMM}{qbed} = \frac{Xm + O`d}{Um} \times 100\% \quad [1]$$

Here,

Xm - service life;

O`d - depreciation period;

Um – extended term.

1-Case. The service life of depreciated equipment has been extended from 20 to 35 years. 2 years and 3 months have elapsed since its full depreciation until January 1, 2020. Equipment obsolescence rate on 1.01.2020:

This is calculated as follows.

$$(20 + 2,25) / 35 \times 100 \% = 63,6 \%$$

2. The initial value of the construction machinery is equal to its residual value according to the appraisal act divided by 100 on the revaluation date and 100 times the difference in the equipment obsolescence level.

The initial value of the construction machine⁷ is calculated by the following formula, i.e.:

$$\frac{QMM}{qb} = \frac{Qq}{100 - Ed} \times 100\% \quad [2]$$

Here,

Qq – residual value;

Ed – obsolescence rate.

2-Case. According to the appraiser, the residual value of the equipment is 1,200,047,119 soums. Its depreciation rate is 63.6% in 1.01.2020. We calculate the initial value of the equipment on the same date:

$$1\ 200\ 047\ 119 / (100 - 63,6) \times 100 = 3\ 296\ 832\ 745 \text{ soums.}$$

3. The amount of obsolescence revaluation date is multiplied by its depreciation level, divided by 100, equal to the initial value of the equipment on the revaluation date.

The amount of depreciation of a construction machine⁸ is calculated using the following formula, i.e.:

$$QMM_{es} = \frac{Bq \times Ed}{100} \quad [3]$$

Here,

Qq – residual value;

Ed – obsolescence rate.

3-Case. On January 1, 2020, the initial cost of the equipment is 3,296,832,745 soums, its obsolescence rate is 63.6%. Determine the amount of obsolescence: $3\,296\,832\,745 \times 63,6 / 100 = 2\,096\,785\,626$ soums.

After determining the initial value and the amount of construction machinery obsolescence revaluation account № 21 NAS and on January 1, the annual revaluation of fixed assets is carried out on the basis of standard accounting entries in accordance with the Regulations⁹ on the procedure for conducting revaluations. The difference between the amount of additional equipment assessment of "SUFAT I D" LLC between the starting price on January 1, 2020 and 1 393 702 013 soums, the amount of additional obsolescence assessment of the equipment will be the difference between the amount of obsolescence on January 1, 2020 and 1,393,702,013 soums.

The result of the equipment revaluation is reflected in the accounting with the following entries:

Debit 0130 – to the sum of the additional valuation of the initial value of the equipment;

Credit 0230 – to the amount of additional assessment of equipment obsolescence;

Credit 8510 - to the amount of the difference between the amount of the additional assessment of the initial value and the amount of equipment depreciation.

According to Article 355 of the tax code, equipment value revaluation is not considered the enterprise income and is not taxed.

CONCLUSIONS AND SUGGESTIONS

In addition, on the basis of the above operations in the construction organizations and construction products production, we would like to note the following as suggestions and recommendations:

- clarification of management and financial accounting data on the construction machinery description and classification;
- assistance in determining the real state of construction machinery;
- ensuring timely and accurate operations reflection on the condition and movement of construction machinery in the accounting and reporting;
- to be the basis for providing accurate information to internal and external users on the condition, movement and obsolescence of construction machinery;

- to create a basis for timely calculation and payment of tax on the condition, movement and obsolescence of construction machinery.

In conclusion, based on the above information, accounting serves as a key factor in ensuring the continuous implementation of the control function.

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