

IMPROVEMENT OF THE ACCOUNTING OF LEASING OPERATIONS IN UZBEKISTAN

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ABSTRACT

This article analyzed the accounting sides of leasing operations in Uzbekistan. The leasing sector in Uzbekistan is booming as lease financing becomes more understood and utilized as a financial tool. But the inconsistency and complexity of the regulatory documents on leasing transactions complicate the work of the accounting service; do not provide a sufficient quality of the information base for analyzing the effectiveness of the organization's financial and economic activities. While specialized leasing companies exist, most lease financing is currently made available by commercial banks. A financial lease is used in business leasing operations according to international standards, and it is recommended that this type of lease be carried out based on separate receivables in accounting.

KEYWORDS: *Leasing, Accounting, Lessors, Sale, Property, Equipment*

INTRODUCTION

The basis for the leasing sphere in Uzbekistan was formed from 1993 to 2002. The first leasing contract was the purchase of 10 airplanes by National Airways of Uzbekistan. And the first leasing company opened at this time - "Uzbek Leasing International A.O.". After that, the law "On leasing" was adopted in 2002. [1]

In most emerging and transitional economies lease financing usually follows traditional corporate finance, project finance and private equity. Uzbekistan is no different; while leasing has existed for more than ten years, its general acceptance and real growth have occurred in the last three years. While specialized leasing companies exist, most lease financing is currently made available by commercial banks. This will change as the sector continues to expand and companies begin to specialize in such areas as car and/or vehicle leasing, operational leasing (where the leasing company provides the operators/crew as well), construction equipment leasing, and systems leasing where software accompanies the hardware being leased. [2]

RESEARCH

As the sector grows and becomes less concentrated, the leasing companies ("lessor") would become more sophisticated given the need to become more knowledgeable about their clients ("lessee") requirements and how they can best be served. An example of this would be in assessing the need to use new equipment versus used equipment, and the comparative merits of

each. This also implies a growing closeness between the lessor and the equipment supplier, especially if servicing and spare parts are an important consideration. This is important to the lessee as well, as they will most likely acquire the leased equipment/machinery at the end of the lease term, and they are interested in making sure that the assets' useful life is assured by proper maintenance, spare part and manufacturers' support. [3]

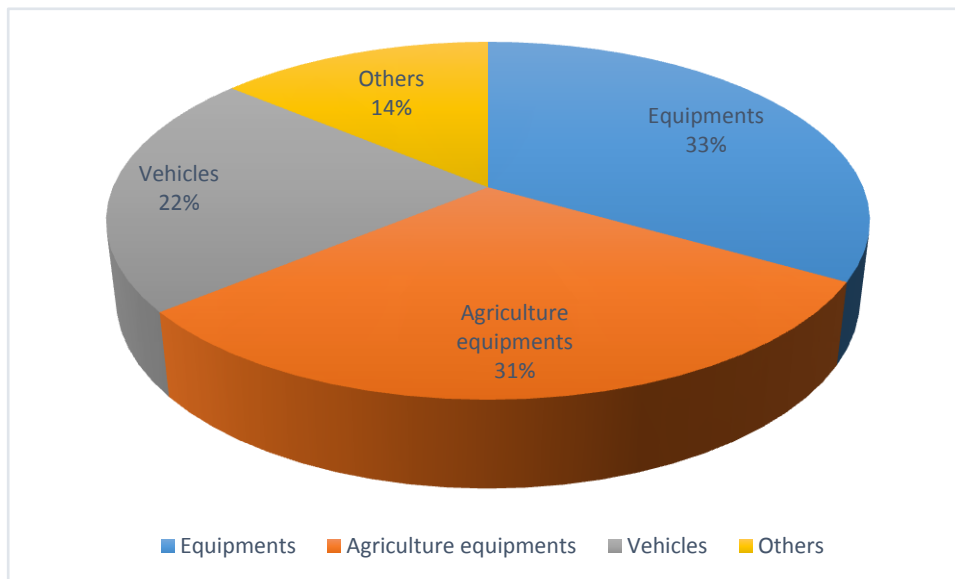
The Uzbekistan Lessor's Association was established in 2005. And since then the following tax benefits and preferences were put in law in the Republic of Uzbekistan:

1. Technological equipment imported for leasing is exempt from VAT (value-added tax) and customs duties
2. Lessees are exempt from paying the property tax on the leased asset
3. Taxable income of the Lessee is reduced for the amount of lease interest. Lessee deducts the total interest amount (of lessor's income) regardless of the duration of lease

Table-1 Lessors in Uzbekistan

	2018	2019	2020
Companies	102	118	146
Commercial banks	24	26	30
Total:	126	144	176

In Table-1 you can see increasing of companies and commercial banks which is related to lessors. The following you can to what branches leased assets in 2020.



Picture-1. Leased equipment by branches

The effectiveness of the application of financial leasing operations, the clarity, completeness, correctness and orderliness of the workflow for leasing operations, the consistency of the activities of all structural units ultimately determines the efficiency of the business entity. But the inconsistency and complexity of the regulatory documents on leasing transactions complicate the

work of the accounting service; do not provide a sufficient quality of the information base for analyzing the effectiveness of the organization's financial and economic activities. Studies of the degree of elaboration of the problems of accounting and analysis of leasing operations for enterprises at the present stage of the market economy show that, despite the great attention of researchers to this problem, many of its aspects are insufficiently studied, namely, the existing organization of accounting, proposed by law does not fully meet modern requirements for accounting and tax accounting, which in turn does not allow the formation of complete and reliable information about the activities of the organization. [4]

LITERATURE ANALYSIS

The relevance and main directions of the topic of the dissertation research are determined by the need to study the features of the implementation of leasing relations in the activities of commercial organizations, including the study of accounting for leasing operations in the context of reform and the transition to international financial reporting standards, as well as the construction of tax accounting when performing leasing operations in commercial organizations. [5]. The studies of foreign economists H. Anderson, G. Birman, are devoted to the theory of leasing operations. Bernstein, J. Rees, S. Schmidt, R. Anthony and others, as well as the works of Russian scientists: V.D. Gazman, G.T. Demeuova, B. Isabekov, B.B. Sultanova, E.V. Kabatova, V.V. Kovaleva, V.V. Komarova, Sh. Kantarbaeva, M.I. Leshchenko, JI.H. Prilutsky, C.B. Pankova, K.A. Sagadieva, A.C. Smagulova, A.M. Seitkazieva, S.T. Mirzhakypova, G.A. Seitkasimova, M.I. Sigareva, E.H. Chekmareva and others.

TABLE-2
THE STAGES OF DEVELOPMENT OF THE ACCOUNTING OF LEASING OPERATIONS IN UZBEKISTAN

№	Year	Improvement documents
Stage 1	1995-1999y.	The first leasing company was established on January 5, 1995 by named Uzbek leasing International A.O. The first National Accounting Standart “Accounting of Lease” was accepted on September 30, 1998 by Ministry of Finance Of the Republic of Uzbekistan The Law about Lease came into force on April 28, 1999.
Stage 2	2003-2008y.	The Regulation on the procedure for carrying out leasing operations and their accounting in commercial banks was accepted on March 27, 2007 by the Central Bank Of Uzbekistan
Stage 3	2009-2014y.	The new National Accounting Standart “Rent” was accepted on April 24, 2009 by the Ministry of Finance Of the Republic of Uzbekistan
Stage 4	2015-2020y.	The Resolution of the president of the republic of Uzbekistan on measures for the further development of auditing activities in the Republic of Uzbekistan (#3946 dated September 19,2018) The Resolution of the president of the Republic of Uzbekistan on additional measures to transition to international financial

	reporting standards (#4611 dated February 25,2020)
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Table -2 analysis stages of leasing operations and related policy documents. In the process of transformation, leasing companies should consider the classification of fixed assets. That is, it is considered that depreciation is calculated correctly based on this classification.

It should be noted that in all leasing organizations in the Republic, debt on fixed assets leased is carried out on the account of payments for financial lease, ie as long-term assets. However, according to international standards, lease payments are reflected in the short-term, ie working capital section. [6]

The leasing process is carried out in three stages In the Republic of Uzbekistan. At the first stage, after studying the content of each lease agreement and the relevant directions in its implementation, preparations are made for the conclusion of a legal agreement (lease agreement). After that, the following is formalized: the application that the lessor receives from the prospective lessee; conclusion on the lessee's solvency and the effectiveness of the leasing project; the order sent by the lessor to the equipment supplier; Leasing agreement concluded by the lessor with the bank to provide a loan for leasing operations. [7]

In the second stage of the leasing process, in a bilateral or tripartite agreement, all the disputed terms in the lease agreement are legally justified. In addition, the following will be formalized:

1. Purchase and sale agreement for leased equipment (property);
2. Certificate of its use;
3. Agreement on technical maintenance of leased equipment, machinery (leased property).

The third stage of the leasing process is one of the main parts and covers the period of use of the leased property. It provides for accounting and reporting on all leasing operations, making lease payments to the lessor, registration of the issue of future use of the leased property after the lease term. [8]

CONCLUSIONS

A number of normative and legal acts have been approved in the Republic of Uzbekistan for lease in business entities. Based on these regulations, the accounting of leases has been significantly simplified and streamlined. The Leasing operations in business entities should be kept on both sides, of the lessee's and lessor's accounting. Based on this, we have presented in this research paper the importance of a lease at the expense of the lessee and the lessor and practical recommendations for its improvement. A financial lease is used in business leasing operations according to international standards, and it is recommended that this type of lease be carried out based on separate receivables in accounting. [9]

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