

## TRANSFORMATION OF ACCOUNTING OF MAIN MEANS IN WATER ENTERPRISES BASED ON INTERNATIONAL STANDARDS

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### ABSTRACT

*The article describes the procedures for adapting preliminary financial statements prepared on the basis of national accounting standards to international standards of financial statements, their model forms, procedures for making changes to financial statements, reflecting deviations and identifying differences, in particular, the theoretical and methodological aspects of procedures for transferring or adapting main means to international standards and the results of scientific research on improvement are highlighted.*

**KEYWORDS:** *International Standards Of Financial Reporting, Transformation, 16-IAS “Main Means” Standard, Transformation Procedures, Procedures For Transforming Data On Main Means To International Standards.*

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### INTRODUCTION

In the conditions of globalization of the economy, Uzbekistan insists that the processes of adaptation of the accounting system to the IFRS are carried out at an accelerated pace. In this regard, a number of scientific and methodological studies are being carried out by the economists of our country. The main reasons for this are attracting foreign investors to economic sectors on a large scale, bringing in investments and modern technologies by them, only then, the expansion of the market for production of products, work and services in economic sectors, increase in quality levels, competitive products, work and services can be achieved. Nevertheless, it can be seen that there is not enough development in this direction at the moment.

Our practice research shows that one of the tasks that are currently considered relevant is the lack of formation of a team of specialists who carry out work as a separate apparatus in the management system of enterprises in order to adapt financial statements to IFRS. For this purpose, in particular, in accordance with the IFRS, it is advisable to develop scientific proposals and practical recommendations for the implementation of adaptation of the accounting of main means to the IFRS.

## Literature Review

In cases of transition from NAS to IFRS or its adaptation, the issues of transformation of financial statements to IFRS are considered one of the main links, in which it is important to reliably and correctly transfer financial statements, that is, to make transformation, mainly in order to adapt financial statements to IFRS. Therefore, first of all, it is necessary to pay attention to the term "Transformation" itself and its meaning, and below we found it permissible to cite the analysis of the private opinions of a number of economists in this regard [1].

A.B.Bogopolsky defines it as follows: "Transformation is all the adjustments necessary to transfer financial statements prepared in accordance with national accounting standards to the IFRS format, which are carried out on the reporting date and take into account the relevant principles of recognition, measurement and disclosure of all elements of financial statements procedure that includes" [2].

We support this view, the definition emphasizes the need for reporting changes, periodic features and adjustments, but this term is not only a method of making adjustments to financial statements and thereby determining financial performance.

According to M.A. Bulatov, "Transformation is the correction of accounting reports, that is, the reflection of the financial report in the accounts through correcting entries." [3].

This definition provides a method for transferring reporting data to another reporting format, but the inclusion of adjusting accounting entries is not considered a primary issue.

T.Yu. Drujilovskaya put forward the opinion that "Transformation is a method of preparation of reporting data of the organization in accordance with the accounting standards, which differ from the standards by which the financial report was originally prepared." [4].

Considering T.Yu.Druzhilovskaya's opinions as universal, we believe that it is inappropriate to consider this as a way of making changes to the report data.

According to R.G.Kaspina, "Transformation is a set of actions performed in a certain sequence to transform financial statements into financial statements that comply with the principles of IFRS." [5].

His comments are general, meaning that the definition states that the main objective is to make changes to the financial statements. At the same time, the actions that would allow to change the financial statements were not mentioned.

According to I.P.Kumaritov and S.V.Moderov, "Transformation is the process of preparing reports in accordance with the International Financial Reporting Standards for a certain date by making corrections to the financial reporting objects in order to comply with the requirements of international standards." [6].

In this definition, the source and Target Systems of IFRS are strictly defined, and it should be noted that the issues of making changes to the report are not limited through their systems established by certain standards.

The definition given by T.G.Sheshukova and S.V.Ponomareva is as follows, "Transformation is the regrouping of reporting data in order to adapt the indicators in the report to International Financial Reporting Standards." [7].

This definition states that the report needs to be changed, but the transformation or implementation mechanism is not disclosed, because transformation is not limited to regrouping the report data, but requires a number of other corrections and actions.

In our opinion, the procedures and actions for conducting financial statements compiled in accordance with the national standards of transformational accounting are calculated based on IFRS requirements, to analyze the deviations identified in the preliminary financial statements compiled according to the IFRS in accordance with the requirements of the IFRS and make changes to the report to eliminate them. This definition is based on the fact that the analytical actions carried out in the processes of making changes to financial statements are considered necessary and clarify the essence of financial indicators, since the technique of performing the transformation and the amount of adjustments, as well as making changes, depend on its results. The initial structured financial statements on the NAS serve as the basis for the subsequent correction or modification of the data.

## **Research methodology**

In the preparation of the article, procedures and problems of adapting the accounting system to international standards of financial statements and transformation of financial statements, in particular, transformation of data on main means to international standards, were scientifically researched. Comparative comparison, induction, deduction, comparison and systematic analysis methods were used in the research.

## **Analysis and results**

It is necessary to reclassify the account of main means and make corrections according to relevant items, to accurately determine the balance of existing main means. In general, sufficient information on the correspondence of accounts such as 0100-"Main means", 0200-"Depreciation of main means", 0300-"Leased main means, 0700-"Fixed equipment" and 0800-"Capital investments" should be provided to IFRS. In addition, advances made for the purchase of long-term means may be included in capital investments for the purposes of IFRS reporting. If such advances are made in foreign currency, their revaluation for NAS reporting may be reversed during transformation, as they are recognized as non-current means and their value may not be revalued.

As in NAS, a sub-account named "Unfinished construction" can be opened in IFRS, this sub-account is accounted for in NAS under sub-account 0810-"Unfinished construction". The "Construction in progress" account reflects only the costs related to acquisition and construction. In this regard, turnovers and balances in the account 0810-"Construction in progress" require analytical procedures for their validity and applicability for reporting on the IFRS. Of course, it is necessary to analyze other accounts, but the subaccount 0810-"Construction in progress" can be corrected during the transformation.

At the beginning of the transformation, when the list of account balances is obtained, it is necessary to control the detailed distribution of accounts in order to analyze them in detail. If there is a fully automated analytical account in obtaining such information, most of the information can be obtained from the accounting software.

First of all, the analysis begins with the report on the balance of means in the account, and the division by object allows to determine the difference between the balance of analytical accounts

and the balance of synthetic accounts, the negative value of main means or the debit balance on amortization, and this indicates violations in the methodology of accounting for main means. If there are violations, it is possible to determine the reasons for their occurrence and make appropriate corrections to the accounting information.

At the next stage, compliance with the criteria for recognition of means in the balance sheet is analyzed. In most cases, if non-core means exist, their use is not expected to generate future economic benefits. They include social objects (kindergartens, parks, etc.), non-financial means (honor plaques, busts and statues, etc.). Such main means, if they were purchased during the reporting period, are charged to the expenses of the period, if they were purchased a long time ago, they are deducted from the retained earnings account.

After the analysis of the account balances is completed, the process of making changes is carried out in accordance with the IFRS. First, balance sheet items are reclassified according to their economic content. Then, according to NAS calculations, they are closed and divided into categories according to IFRS and are carried out by calculations in special transformation tables.

In order to calculate the value of main means in accordance with IFRS, additional information is required in addition to the objects and depreciation of main means, the distribution of each object according to the initial cost before revaluation, depreciation rates, remaining useful lives, uncollectible tax amounts written off as expenses, etc.

Information on the arrival and additional equipment of main means during the reporting period is filled in separately, indicating the date of liquidation of main means and accumulated depreciation values.

If main means are revalued during the transformation to IFRS, then in addition to the information listed for each object, it is necessary to indicate their fair value at the time of transformation and remaining useful lives. This cost is an initial operation for the purposes of IFRS, and if the main means are not revalued, their value will differ from the value determined according to NAS.

Main means are objects of balance, which must be taken into account in terms of their historical values that exist at the time of purchase. Regardless of the currency in which IFRS reports are presented, the historical values of the main means differ from the financial statements in the NAS. If the report is drawn up in sums, then the recalculation of the value of main means, taking into account the impact of inflation, is one of the necessary elements for the transformation of IFRS.

As for the information on NAS, such tables can be made on the basis of the balance sheet, but it should not be remembered that the turnover of the period may be overestimated due to the internal turnover of main means accounts, therefore, the debit turnover of the account 0100- "Main means" is based on the initial period of main means does not mean that it will fall, and the credit turnover does not mean that it will completely disappear. The indicators obtained from the tables should be adjusted according to analytical accounting data, so that the debit turnover reflects the increase in the value of main means during the period, and the credit turnover reflects its decrease. These circumstances are also the basis for depreciation of main means. On the contrary, comparing them with each other will give wrong results.

The initial value of main means is determined based on NAS No. 16 "Main means". It is very similar to our national standard. The difference is that costs such as liquidation losses of the main means are also added to the original cost of the main means.

There are 2 different models for determining the current value of a main means in accordance with the standard of NAS No. 16 "Main means":

**1. Initial value model.**

After recognition as a device (means), the property, plant and equipment should be carried at cost less accumulated depreciation and accumulated impairment losses.

**2. Re-evaluation model.**

Once recognized as a device (means), an item of property, plant and equipment whose fair value can be reliably measured shall be carried at a revalued amount that reflects the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses. At the end of the reporting period, revaluation of the balance sheet value should be carried out regularly enough so that it does not differ significantly from its true value.

If the device (means) is accounted for under the revaluation model, the following applies:

- it is necessary to constantly carry out periodic reassessments,
- maintain a consistent policy for each class of means;
- the revalued device should be amortized over the remaining useful life with a decrease in residual value.

Before the transformation of main means according to IFRS, it is necessary to indicate how the accounting of main means is taken into account in the accounting policy of the enterprise according to IFRS.

**TABLE 1. PROPOSED TRANSFORMATION PROCEDURE FOR THE ACCOUNT OF MAIN MEANS<sup>1</sup>**

№	Name of the main means	2019 y. NAS	Correction 2019 y.	2019 й. IFRS	2020 y. Б NAS	Correction 2020 й.	2020 y. IFRS	2021 y. NAS	Correction 2021 y.	2021 y. by NAS
1	2	3	4	5	6	7	8	9	10	11
0120	Building									
0130	Machinery and equipment									
0140	Furniture and furnishings									
0150	Computer and computing techniques									
0160	Vehicles									
0190	Other basic means									
0220	Bin's depreciation									
0230	Depreciation of machinery and equipment									

<b>0240</b>	<b>Depreciation of furniture and furnishings</b>									
<b>0250</b>	<b>Depreciation of computer and computing equipment</b>									
<b>0260</b>	<b>Depreciation of vehicles</b>									
<b>0290</b>	<b>Depreciation of other main means</b>									

If the company applies the IFRS for the first time, they will have to transform their 3-year financial statements. Procedures for transformation of main means to IFRS are given in the table 1 and it is advisable to implement based on this table.

Column 1 – number in the NAS chart of accounts;

Column 2 – grouping of the main vehicle;

Column 3 – the amount of the main device under NAS for the 1st year;

Column 4 – the amount to be adjusted for the 1st year;

Column 5 – the value of the main means according to IFRS for the 1st year;

Column 6 – the amount of the principal under NAS for the 2nd year;

Column 7 – the amount to be adjusted for the 2nd year;

Column 8 – the value of the main means according to the IFRS for the 2nd year;

Column 9 – the amount of the principal under NAS for the 3rd year;

Column 10 – the amount to be adjusted for the 3rd year;

Column 11 – the value of the main means according to the IFRS for the 3rd year.

By adding columns 12-13-14, it is possible to enter designations according to IFRS. Table 2 is filled in according to the data of Table 1.

**TABLE 2. RECOMMENDED TRANSFORMATION PROCEDURE<sup>2</sup>**

Account number	Account name	2019 NAS	Correction for 2019	2019 IFRS
1	2	3	4	5
0120				
0130				
...				
...				

Based on the information of Table 1 above, Form-1 Financial Statement of Financial Status is filled out. In order to find the columns in columns 4-7-9 in this table, the enterprise must have information from the following tables. The information in this table can be used when using the initial value model of determining the current value of main means. If the enterprise only uses the main means revaluation model, it is necessary to find the market value of the main means in accordance with the IFRS No. 13 entitled "Fair Value".

**TABLE 3. THE PROCEDURE FOR TRANSFORMATION OF THE MAIN MEANS OF THE UNITARY ENTERPRISE "OXANGARON HYDROELECTRIC POWER STATION" TO IFRS FOR 2019-2021<sup>3</sup>**

Indicator name	Code	01.01.19	31.12.19	01.01.20	31.12.20	01.01.21	31.12.21
1	2	3	4	5	6	7	8
<b>Means</b>							
<b>I. Long-term means</b>							
<b>Basic means:</b>							
<b>Initial (recovery) value (0100, 0300)</b>	<b>010</b>	<b>6807629</b> <b>1</b>	<b>6808829</b> <b>0</b>	<b>7390817</b> <b>0</b>	<b>7390817</b> <b>0</b>	<b>7390817</b> <b>0</b>	<b>9361148</b> <b>7</b>
<b>Depreciation amount (0200)</b>	<b>011</b>	<b>1047806</b> <b>2</b>	<b>1504222</b> <b>9</b>	<b>1630099</b> <b>4</b>	<b>2051142</b> <b>3</b>	<b>2051142</b> <b>3</b>	<b>2663388</b> <b>1</b>
<b>Balance (balance) value (row. 010 - 011)</b>	<b>012</b>	<b>5759822</b> <b>9</b>	<b>5304606</b> <b>1</b>	<b>5760717</b> <b>6</b>	<b>5339674</b> <b>7</b>	<b>5339674</b> <b>7</b>	<b>6697760</b> <b>6</b>
<b>Mounting equipment (0700)</b>	<b>090</b>						
<b>Capital investments (0800)</b>	<b>100</b>						

We consider it is appropriate to present the economic processes associated with main means at the time when the economic entity presents financial statements to consumers on the basis of IFRS in the form of the following table.

### CONCLUSIONS AND SUGGESTIONS

Business entities must use the following standards to transform the account of main means in accordance with the IFRS:

1. NAS No. 16 "Main means";
2. IFRS No. 5 "Long-term means held for sale and discontinued operations";
3. NAS No. 41 "Agriculture";
4. NAS No. 40 "Investment real estate";
5. NAS No. 36 "Impairment of Means";
6. IFRS No. 13 "Fair Value";
7. NAS No. 20 "Subsidy"
8. NAS No. 23 "Expenses on loans";
9. NAS No. 8 "Accounting policy, changes in accounting estimates and errors".

Due to the high inflation rate of money in the economy of our country, the value of means that are not adapted to current purchasing power may not give rise to a reliable idea of their real value. Therefore, it is necessary to adjust the actual values of main means and the accumulated depreciation values to the inflation rate based on the purchase value and the same date.



By multiplying the historical value at the time of acquisition of the main means by the cumulative inflation index, its historical values in current currency units are obtained. It should be noted that it is difficult to simply find the inflation index at the date of purchase. Therefore, it is observed that the value of main means, which were previously purchased cheaply, increases hundreds of times when they are re-evaluated. The values of main means can be compared with the current values of similar means and, if necessary, adjustments can be made to ensure that it is not overstated. The useful life of main means is reasonably reassessed and, if necessary, adjustments are made for the remaining depreciation period to correspond to the period when these main means bring economic benefits to the enterprise.

In addition, main means are divided into groups according to the classifications adopted by the NAS and the enterprise, for example, land, building, structure, vehicles, etc., which means that information on general groups is summed up and collected in the general table, which reflects the initial values and calculated depreciation values at the beginning and the end of the period.

To give rise to the historical values of main means, it is necessary, first of all, to be carried out by comparing the data of NAS and IFRS. To do this, we recommend drawing up tables on the actions of main means, reflecting the values of main means at the beginning of the period, receipts, write-offs, values at the end of the period, accumulated depreciation values at the beginning of the period.

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