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IMPROVING MANAGEMENT ACCOUNTING AT WATER SUPPLY ENTERPRISES BASED ON INTERNATIONAL STANDARDS

Xalmuratov Anvar Urunovich*

*Lieutenant Colonel,
National Guard of the Republic of UZBEKISTAN
Email id: anvar.khalmuratov@mail.ru

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ABSTRACT

The article covers the theoretical and methodological aspects of creating management reports and adapting management accounting in water supply enterprises in particular to international accounting standards, applying international standards of financial statements when compiling internal reports, procedures for adapting preliminary financial statements compiled based on national accounting standards to International Financial Reporting Standards, Procedures for amending financial statements, and the results.

KEYWORDS: *National Accounting Standards, International Accounting Standards, A Compilation Of Reports For Managerial Accounting Purposes, An Adaptation Of Management Accounting To International Accounting Standards, A Compilation Of Management Accounting Reports At Water Supply Enterprises.*

INTRODUCTION

In the conditions of a lack of public funds for the isolation of the water supply and sanitation network, insecurity on the part of the private sector, and a complex and sometimes contradictory legislative framework, today it is advisable to find new technologies that provide a way out of the bankruptcy situation.

By introducing and applying management accounting and analysis to the current practice of the activities of water supply and sewage enterprises, it is possible to determine the internal reserves of financing. This makes it possible to develop detailed plans, budgets and cost rates, assess the effectiveness of the provision of services and set target indicators, take into account the interconnection of the costs of forming budgets, indicate natural production indicators and unit costs, and compare the effectiveness of various costs. Also, departments within the enterprise receive expenses on capital investments within themselves. The main task of management accounting at water supply and sewerage Enterprises is to identify the main control factors applicable to the daily management of these enterprises and form reports on them in accordance with the established requirements and in a timely manner.

The choice of an approach to implementation in the creation of a management accounting system is greatly influenced by such factors as the information necessary for management (services for managing objects, etc.), how the powers are assigned (at the level of departments, objects, etc.), the type of activity or the sphere in which the organization operates, the content is

As practice shows, management accounting at enterprises of the water and sewage network has not been systematically organized. With the developments, the introduction of a management accounting system in water supply and sewage enterprises will be a mass cultural reform in many ways, since it is associated with the transition from the "command management" model to the "commercial management" model. Such a transformation is a rather complex and lengthy process that must be supported by the executive management team of the general director and deputy general directors.

Literature review

The main goal of improving the concept of development of accounting and reporting is to create optimal conditions and prerequisites for the consistent and successful implementation of the specific functions of the accounting and reporting system in the economy. In particular, the functions of the formation of information about the activities of economic entities, which are useful for making economic decisions by interested, external and internal users. According to the adopted concept, one of the most important areas of further development of accounting is to improve the quality of information generated in accounting and reporting, including management. The main task in the field of management reporting is to widely popularize the advanced experience of its organization, as well as the experience of its use. Thus, the provisions of this concept confirm the objective need for the development of the management accounting system and determine the main directions for its adaptation to modern conditions of market relations.

It is necessary to develop a program for the transition of accounting into a system that meets the requirements of a market economy, and to develop forms of management accounting reporting of the beginning of the accounting process, its content, principles and methods.

I.V.Kuzmina noted that "In 2001, the European Commission published a law obliging the member countries of the European Union to make international standards mandatory in the preparation of consolidated financial statements from 2005 for all enterprises whose shares are sold; in regulated markets of the European Union. International Financial Reporting Standards apply throughout the European Union"[1; p. 125].

P.McConnell argues that the role of International Financial Reporting Standards is important in any economic context, and according to him, Markets need only one set of good accounting standards to operate globally, and investors in the market can evaluate their capabilities on a comparative basis and not allocate their capital inefficiently, as can happen when different accounting systems are used [1; p.125].

V.F.Pali believes that "International financial reporting standards remain recognized on almost all stock exchanges in the world, which cannot be discounted. Along with them, one should not forget and write down the positive national accounting experience in the archives" [2; p.7-10].

In particular, the use of International Financial Reporting Standards is necessary for the following reasons:

Firstly, the formation of external and internal reports in accordance with International Financial Reporting Standards is one of the important steps that open up the possibility for enterprises to join international markets. As you know, it requires transparency of financial information about the activities of foreign enterprises and the accountability of management to investors. Foreign investors, through financial statements, will be able to determine and understand how the capital provided by it is used, and enterprises and other foreign countries will remain a high-risk area in attracting investments from international markets, including water supply and sanitation enterprises, and, as a result, will set the stage for others to give their place in the market.

Secondly, the use of International Financial Reporting Standards can significantly reduce the time and resources required to develop national reporting regulations. These standards combine quite a long experience in accounting and reporting. They are formed as a result of the work and research of several generations of accountants-researchers, and representatives of various scientific research. The standards take into account the requirements and experience of entrepreneurs, banks and other financial institutions, trade unions, and government organizations in working with reports.

Thirdly, international practice shows that reports prepared in accordance with international financial reporting standards are considered useful for users.

For enterprises of the water supply and sewerage network, a special system for the transition to International Financial Reporting Standards is now being created. Because they, like other commercial enterprises, are interested in attracting foreign capital to modernize their infrastructure. In turn, foreign creditors and investors demand that the transparency of financial statements for the use of their financial resources be ensured, therefore, the transition to international financial reporting standards allows the following, increasing the transparency of financial statements and uniform implementation of the standards necessary in increasingly globalized financial markets at the cross-section of each state.

D.G.Slinkov admits that it is necessary to start the introduction of International Financial Reporting Standards from the internal management report. He noted that the main idea behind the emergence of international standards, users around the world can even understand in one sense the statements made by the enterprise on the other side of the world, despite the fact that the rules of management accounting are developed individually for each enterprise in accordance with business characteristics, it can be useful to use international standards [3; p.216].

Before talking about the introduction of international standards of financial statements into the practice of accounting, it is possible to identify similarities with the rules of national accounting and, if we consider the management accounting system as a subsystem of accounting, then in general it can be observed that the objects of financial accounting are similar to the objects of management accounting. In management accounting, too, income and expenses are taken into account, such as objects of financial accounting. It is necessary that the same objects be included in the elements of the financial statements.

In accordance with international accounting standards, elements of financial statements are disclosed. These include assets, liabilities, capital gains and expenses. At the same time, it is necessary to form the financial statements of the enterprise, which can be presented about the object of accounting only in the form of three stages:

1) determination of the element of financial statements;

2) checking the compliance of the identified element with the criteria for its recognition in the financial statements;

3) recognition of the identified element of financial statements.

The first stage involves the distribution of Assets, Liabilities and capital, which characterizes the financial condition of the organization depending on the possible entry or exit of economic profit. At the same time, future - economic benefits can be exchanged (with accumulation) of cash or their equivalents.

In certain situations, obtaining or losing economic benefits can be hidden. Therefore, each time the objects of accounting are attached to one or another element, it is required to check their compliance with the general criterion - the criterion for recognizing the elements of financial statements. In turn, recognition of an object as an element of financial reporting is possible only if it meets the definitions of assets, liabilities, capital, income and expenses, and the following recognition criteria are met:

1) there is a high probability that the enterprise will receive or lose economic benefits associated with this object;

2) it is possible to reliably measure (evaluate) the value of the object. This is the second stage of financial reporting.

The third stage includes an oral description of the object and its assessment, as well as the inclusion of the identified amount in the corresponding reporting forms - in the balance sheet or in the profit and loss statement [4; p.40].

Thus, it can be concluded that if the accounting object meets the aforementioned recognition criteria, the composition of the elements can be expanded.

V.F.Paliy believes that in accordance with the main economic parameters, the categories in which the data in the financial statements are combined are elements of the financial statements [5; p.27].

M.A.Bakhrushina defines elements of financial reporting as elements of reporting that characterize the financial condition and financial results of the enterprise [4; p.39].

Elements such as assets, liabilities, and equity are recognized in the balance sheet of the enterprise and reflect the financial condition of the organization. Elements of the income statement related to the measurement of results; the activities of the organization include income and expenses. International Financial Reporting Standards apply an approach in which the definition of assets and liabilities exceeds the definition of income and expenses. This approach is called the balance sheet approach of assessing the importance of certain forms of financial statements, in which preference is given to the balance sheet, and not to the profit report.

V.F.According to Pali's views, "According to International Financial Reporting Standards, assets are property resources that are controlled by the enterprise as a result of operations and events that occurred during reporting or other past periods and are expected to bring economic benefits in the future" [5; p.27].

Assets are presented in the form of indicators of the "non-state assets" and "working capital" sections of the asset of the balance sheet. The definition of resources as assets of international standards of financial statements follows from the concept of control, in contrast to the principles of internal accounting based on the concept of ownership. For example, the balance sheet may reflect objects that do not belong to the enterprise, but the profit from the use that it controls. Hence, fixed assets are accepted on the balance sheet not because the enterprise is its owner, but because it uses them in its activities at will. Leased property that does not belong to the enterprise requires inclusion in the structure of assets if the organization controls the expected income from this property.

The most common cases of obtaining the assets that make up the property of an organization are the purchase in exchange for money or other assets or produced by the organization itself. Assets can also counter an increase in the liabilities of an enterprise that requires payment in the future, typical for water supply and sanitation enterprises, or even requires free (for example, subsidies from the budget). International Financial Reporting Standards argue that assets such as accounts receivable and property are related to legal rights, including ownership, but the latter is not the main recognition of an asset in financial statements. At the same time, it is necessary to ensure compliance with recognition criteria, taking into account the principle of the predominance of economic content over the legal form.

Assets can consist of real estate, equipment and other fixed assets, property acquired under a financial leasing agreement, long-term loans and other financial investments, including long-term receivables, cash, as well as rights, patents, knowledge obtained as a result of research work and similar intangible assets, which are desirable if they are expected to bring economic benefits by the enterprise in the

According to T.V.Shishkova, "In accordance with international standards of financial statements, obligations represent the debt of the enterprise as a result of past events existing on the reporting date, the payment of which leads to the outflow of resources from the enterprise that embodies economic interests, for example, as a result of debts to suppliers. The purchase of raw materials and materials by the enterprise, the goods were sent, but not paid" [6; p.27].

Such an obligation is presented on the balance sheet as a creditor debt since in this case, its calculation will lead to the outflow of future economic benefits of the enterprise.

O.V.Efimova describes that "Capital is understood as the share of the assets of the enterprise that remains after the deduction of all obligations" [7; p.27].

The structure of capital includes several components that are separately reflected in the balance sheet of the enterprise, which are funds invested by shareholders, retained earnings, reserves formed from profit; reserves that represent capital storage adjustments. The size of the capital of the enterprise is determined by: legal, and tax factors and depends on the assessment methods used by enterprises. It offers two basic concepts of capital by international financial reporting standards, namely the financial and physical aspects.

V.F.Pali's thoughts are as follows, "According to the financial concept, capital refers to the share of assets that remains after deducting liabilities. In this case, the capital is the net assets of the enterprise or its capital in the event of liquidation of the society, having a priority right to creditors and owners, the obligations to them must be satisfied in the first place. International Financial Reporting Standards give enterprises the right to choose the concept of capital storage in accounting policies. According to national accounting standards, however, it does not include regulations related to capital storage, although the criteria for recognizing assets and liabilities on the balance sheet correspond to the criteria of International Financial Reporting Standards" [5; p.34].

It should be noted that in the process of reforming internal accounting and reporting, active and passive definitions used in a planned economy were removed from the conceptual apparatus. Outdated definitions have been discarded due to non-compliance with International Financial Reporting Standards.

International standards interpret income as an increase in economic profit, which occurs in the form of an increase in the flow of assets or capital or a decrease in liabilities during the reporting period. The inclusion of income in the financial statements is called income recognition. The criterion for recognizing the income of International Financial Reporting Standards consists in recognizing income in the income statement if there is an increase in assets that can be reliably measured or an increase in future economic benefits associated with a decrease in liabilities.

In national law, the income of an organization is understood as an increase in economic profit, which, as a result of the acquisition of assets and payment of obligations, leads to an increase in the capital of this organization, with the exception of contributions from participants or property owners.

T.V.Shishkova said that "In international standards, expenses are interpreted as arising in the form of a decrease in economic benefits for the reporting period, a decrease in assets or an increase in liabilities, leading to a decrease in the capital" [6; p.320].

In general, the national accounting standards, such as the international standards of financial statements, entitled "income from normal activities", No. 18, emphasize the conditionality of classifying income as income from basic activities, etc. according to the principles of International Financial Reporting Standards, there are two types of income: income and income. The first includes regular income from the main activities, including the percentage of dividends paid from the sale of goods, works and services, royalty and rent. The latter include income from the sale of fixed assets and non-liquid assets, sometimes random, often not related to sales, that is, differences in the exchange rate, fines and penalties, unexpected receipts from debtors, etc.

However, the national accounting standards do not provide for the analysis of serious risks associated with the ownership of goods, unlike the international standards of financial statements, the main issue is whether the transfer of property rights took place or not, while according to international standards of financial statements, attention is paid to the economic content of the transaction.

While income in the national accounting standards refers to income from basic activities, enterprise income is considered the main "type of income" in accordance with International Accounting Standard No. 18 "income from normal activities". 18-the international standard of financial statements does not cover all possible sources of income and is recognized differently depending on the type of income, that is, from the sale of goods, the provision of services, the use of assets, licenses, payments and dividends, among other types of income. The International Accounting Standard No. 17 "rent", the International Accounting Standard No. 28 "accounting for investments in associated enterprises", the International Accounting Standard No. 32" financial instruments, disclosure "and the International Financial Reporting Standards No. 18 "providing information" set the criteria for recognizing income.

Research Methodology

In the preparation of the article, a systematic analysis of issues was carried out on the organization of management accounting at water supply Enterprises, their adaptation to international standards of accounting and the disclosure of procedures for creating reports based on international standards for management accounting purposes.

Analysis and Results

A comparison of criteria for introducing expenses according to international standards of financial statements and national accounting standards can be carried out as follows, the number of expenses can be determined, and as a result, a particular transaction can lead to a decrease in the economic profit of the enterprise. However, the national accounting standards include the costs of the enterprise with an additional condition, which is recognized in accounting if the costs are "concluded by a specific contract, requirements of legislation, entrepreneurial practice." That is, unlike international standards of financial statements, the cost is not recognized only based on a decrease in the economic profit of the accountant. Another condition for recognizing expenses is that they do not diverge from the tax base, which brings domestic approaches to the formation of financial statements closer to international approaches.

International standards of financial statements divide the costs of the enterprise into costs associated with the main activity and losses that may or may not occur in the process of the enterprise's activities. According to International Financial Reporting Standards, losses are also associated with costs, and therefore they are not allocated as a separate element of financial statements, unlike practice. The expenses of the first group consist of sales expenses, wages, depreciation and other expenses. The second group of expenses represents losses incurred when selling fixed assets or other means, when the exchange rate changes, etc.

In accordance with the national accounting standards, expenses are divided into two groups, namely expenses associated with the main activity and expenses for financial activities. In the national accounting standards, the principle of cost formation for basic activities is consistent with the approaches of International Financial Reporting Standards, that is, it is associated with the production of the enterprise and its economic activities. In contrast to international standards, national accounting standards indicate the need for Group Enterprise costs by their economic elements. International standards of financial statements do not provide for the grouping of expenses for current activities by elements, they are carried out taking into account one element (salary, depreciation) and complex (selling value).

Thus, from the point of view of the set of accounting elements, the report on the international standards of financial statements and national accounting standards as a whole does not differ much from each other. At the same time, in accordance with the national accounting standards, forms of financial statements are recommended by the Ministry of Finance, and in practice, several enterprises deviate from the established form, including water supply and sanitation enterprises, although this is theoretically permissible.

In international standards of financial statements, unlike national legislation, there is a concept of recognition, which are element of financial statements. Standards define it as the process of introducing an object into the balance sheet or income statement that corresponds to the definition of one of the elements of the financial statements and meets the established recognition criteria. Therefore, it can be concluded that the composition of the reporting elements, if they meet the following criteria, can be expanded by inclusion in accounting objects, that is, there is a high probability that the enterprise will receive or lose economic benefits associated with this object, or the value of the object can be reliably measured (assessed).

Studies carried out have shown that in addition to income and expenses, objects of management accounting may also include internal pricing, internal reporting and budgeting. As for water supply and sanitation enterprises, the objects of management accounting include income, expenses and tariffs for housing and communal services. As a result, an internal report is prepared, which contains the necessary information for making effective management decisions.

Considering that the accounting reform program provides for the adaptation of accounting for all organizations to international standards of financial statements, regardless of their legal form, it is advisable to recognize international standards when compiling financial statements.

In our opinion, the transition to international standards should begin with internal preparation, in accordance with International Financial Reporting Standards, which consists in the provision of financial statements and its use as a basis for the preparation of financial statements in accordance with national accounting standards. In other words, by introducing management accounting in the form of international standards at enterprises, it is possible to regularly prepare reports in accordance with International Financial Reporting Standards, free from the experience gained later. On the other hand, linking International Financial Reporting Standards to operational work that must be carried out daily is considered complex. Since operational activities are production cycles, while business processes, such as lifting water, supplying it, eliminating accidents in industries, etc., are dependent on financial issues, International Financial Reporting Standards do not provide for these. Nevertheless, it is advisable to consider in Table 1 what standards can be useful in determining the rules for maintaining management accounting in organizations, including water supply and sewage enterprises.

TABLE 1. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR MANAGEMENT ACCOUNTING PURPOSES

Objects of management accounting	*International financial reporting standards applicable to each item of management accounting*	*Application of international standards of financial statements for the purpose of organizing management accounting*
Revenues	**International Financial Reporting Standards named "Cash Flow Report" No. 7; International Financial Reporting Standards named "income from normal activities" No. 18; International Financial Reporting Standards No. 20 "accounting of state grants and disclosure of state aid"; International Financial Reporting Standards named "profit per share" No. 33.**	**International Financial Reporting Standard No. 8 "accounting policies, changes and errors in calculated assessments"; International standard of financial statements named "rent" No. 17.**

Costs	**International Financial Reporting Standards named "employee income" No. 19;** **International Financial Reporting Standards named "commodity and material reserves" No. 2;** **International Financial Reporting Standards named "fixed assets" No. 16;** **International Financial Reporting Standards named "intangible assets" No. 38;** **International Financial Reporting Standards named "expenses on debts" No. 23.**	**-**
Internal reporting	**No. 1 International Financial Reporting Standards named "submission of financial statements";** **International Financial Reporting Standards named "intermediate financial statements" No. 34.**	**-**
Internal assessment	**-**	**-**
Budget	**-**	**-**

This table shows the cases of application of international standards for objects of accounting for the current activities of water supply and sewage enterprises, that is, the standards that can be applied in the management accounting of water and sewage enterprises are indicated. Thus, in the accounting of income, the international standard of financial statements No. 7 named "cash flow report" can be applied, and as part of the management account, it can be useful in providing information on the movement of funds of the enterprise by the type of activity, and it is also convenient and profitable.

For example, the number of cash flows arising from operational activities is the main indicators that indicate the level of creation of cash flows sufficient for payment in the activities of the enterprise, borrowing, maintaining the activities of the enterprise, paying dividends, etc. The criteria for recognizing income described in the international standard of financial statements No. 18 "income from normal activities" must be fully applied in the management report. Based on the provisions of this standard, the enterprise can determine income by the main types of activities. The international standard of financial statements No. 20 "accounting of state grants and disclosure of information on state assistance" defines the accounting procedure, accounting and recognition criteria, and since water supply enterprises receive state subsidies for expenses for the provision of Housing and communal services to low-income groups of the population, the application of this standard can be useful.

When accounting for expenses in management accounting, it is advisable to apply the international standard of financial statement No. 19 named "income of employees". It is recommended to use the classification of benefits for employees. To determine the cost of commodity-material reserves, the methods described in the international standard of financial statements No. 2 named "commodity-material reserves" can also be used in management accounting. International Accounting Standard No. 16 "fixed assets" application of management accounting requirements can give the enterprise the most conservative and reliable measure of dealing with fixed assets. The main aspects of accounting for fixed assets under this standard are recognition of assets, determination of their balance sheet value, as well as losses from the corresponding depreciation and depreciation, which must be recognized. In management accounting, it will be useful to apply the criteria established by the standard for classifying an object into intangible assets, the procedure for accounting for the costs of its creation or purchase, and determining the balance value and useful service life. Data on intangible assets in reports in accordance with the provisions of the international standard of financial statements named "intangible assets" No. 38. The classification of expenses on debts issued in the international standard of financial statements named "expenses on debts" No. 23 can be applied in management accounting.

As for the internal reporting, it is possible to use the minimum content and structure of financial statements recommended by the international standard of financial statements named "submission of financial statements" No. 1. Compliance with the requirements of this standard provides for the comparison of its own financial statements for different periods and financial statements of different enterprises.

Management reports are compiled and submitted quarterly, monthly, and sometimes frequently. The content of the interim report is usually determined by the needs of the middle superiors, but the international standard of financial statements No. 34 "intermediate financial statements" may also apply the general principles of leaving the intermediate report described in the interim financial statements (for example, using a homogeneous reporting policy, as in annual reports).

The international standard of financial statements is accounting policy No. 8 named "accounting policies, changes and errors in calculated assessments", changes and errors in accounting, and the standard named "rent" No. 17 can be applied along with all articles of the current management account. For example, in the management accounting, in accordance with the provisions of the international standard of financial statements named "rent" No. 7, it is recommended to introduce the classification of leasing as operational and financial and disclose assets and liabilities, income and expenses in relation to leasing contracts in accordance with the requirements of the standard. Also, leased property, which is not the property of the enterprise, can be included in assets if the enterprise controls the expected profit from this property, and compliance with the requirements of the international standard of financial statements No. 8 "accounting policies, changes and errors in calculated estimates" can ensure a comparison of the financial statements of the enterprise over time.

CONCLUSION AND RECOMMENDATION

Thus, the introduction of international standards of financial statements at the legislative level in domestic Accounting leads to the introduction of foreign accounting methods. This will also apply to management accounting since it is an integral part of accounting. In addition, it seems appropriate to use separate international standards on individual objects of the management account, such as income, expenses, and internal reports. It is also possible to recommend the use of calculations in accordance with international financial reporting standards, despite the fact that the national legislation does not allow the use of calculations, and elements of financial reporting within the framework of management accounting.

The introduction of International Financial Reporting Standards does not mean that organizations must fully master foreign experience. We are talking about the natural expansion of the circle of accounting objects, the provision of flexibility in the application of existing accounting methods, changes in management, in business processes associated with changing the position of an accountant. To do this, it is necessary to analyze the existing organization of the system of accounting and analysis of current activities at water and sewage enterprises.

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