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Economic Essence And Content Of Accounting For Financial Results In Joint-Stock Companies

Azizbek Khurramov[1]

[1]Assistant of the department IAAF,
International School of Finance and Technology, Tashkent, Uzbekistan

Abstract:

Financial results are the most important economic indicator that characterizes the results of an organization's activities and the efficiency of using its resources. It is generally accepted that the financial result is the final result of the organization's economic activity, which is expressed in the form of profit or loss. Information about the financial results of the organization's activities, the receipt of profit or loss from financial and economic activities is of interest to all interested users of the information. Thus, tax authorities assess budget revenues; investors - the attractiveness of investing capital in the organization; owners - the quality of production and financial management of the administration; business partners - the success of the organization and the availability of resources to pay off its obligations.

Keywords: budget revenues, financial management of the administration, availability of resources, production efficiency, cooperative organization.

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Introduction

Profit belongs to one of the most complex economic categories, without studying which a scientific approach to solving such issues as increasing production efficiency, increasing the material interest and responsibility of work collectives in achieving final results at the lowest cost is impossible.

The main goal of any cooperative organization is to satisfy the material, social and other needs of its members, mainly shareholders. The profit received from this activity is the means to achieve this goal.

In this regard, profit can be considered the most important indicator of activity of both commercial organizations and consumer cooperation organizations. On the one hand, it reflects the final financial result, on the other hand, it is the main source of financial resources of organizations, forming equity capital.

The first attempts to understand the essence of profit and the purpose of its accumulation can be traced in the works of ancient scientists Plato and Aristotle. Their attempts formed the basis for an in-depth study of the category of profit in the works of subsequent economists. Mercantilists believed that profit is created in circulation and its source is foreign trade. A. Marshall understood profit as remuneration for work in production management. The American scientist Joseph Schumpeter argued that the income generated by new technical improvements constitutes profit.

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Of great interest is the point of view according to which profit is closely related to the uncertainty of future economic phenomena. Some literature views profit as “monopoly income.” Such profits are due to the monopolist's ability to limit production and thereby set monopolistically high prices. Modern economic science is still characterized by a variety of discussions about the nature and role of the complex category “profit”. For the most part, modern economists tend to believe that profit is an economic category that expresses the final results of the economic activity of an individual organization, industry, or the national economy as a whole.

For the first time, the concept of financial result (profit) for accounting purposes, close in meaning to the content of International Financial Reporting Standards, was formulated in the Concept of Accounting in the Russian Market Economy. Thus, in accounting, profit is understood as a measure of the excess of income over expenses of the reporting period.

An organization’s expenses are “a decrease in economic benefits as a result of the disposal of assets (cash, other property) and (or) the occurrence of liabilities, leading to a decrease in the capital of this organization, with the exception of a decrease in contributions by decision of participants (owners of property).”

According to the Tax Code of the Republic of Uzbekistan, profit is income received, reduced by the amount of expenses incurred, which are determined in accordance with the Tax Code of the Republic of Uzbekistan.

The most general concept of profit as the difference between the income of an economic entity and expenses, including the total costs of production and sales, can combine diverse approaches to its definition: political -economic (profit for socialist and capitalist enterprises), accounting and financial (balance sheet, net etc. profit), economics and mathematics.

It is impossible to give a clear answer to the question of which point of view best explains the origin of profit. Each of them reveals one aspect of this complex economic phenomenon.

As practice shows, a certain complexity in the study of profit is explained by the use of a variety of commonly used terms that characterize types of profit. With the development of economic theory, the complex of concepts and terms that define profit has undergone significant changes from the simplest as income from production and sales to a concept that characterizes the final financial results in the entire variety of commercial activities. The versatility of the concept of financial result requires deep knowledge of each aspect. Only by profit can one distinguish gross profit, profit from ordinary activities, profit before tax (according to accounting data), taxable profit, retained (net) profit of the reporting period, reinvested profit (capitalized retained profit).

Materials and methods

Accounting must be maintained in accordance with regulations and standards. This ensures a uniform approach for various business entities to the preparation of financial reports.

Standards-based financial statements will be useful and understandable to interested users.

Conventionally, four levels of such regulatory documents can be distinguished.

The first level - Laws, Codes, Resolutions of the Oliy Majlis , Decrees of the President, Resolutions of the Cabinet of Ministers of the Republic of Uzbekistan.

Regulatory acts of the first level determine the fundamental provisions on the maintenance and organization of accounting at enterprises.

For example,

Law of the Republic of Uzbekistan “On Accounting” 04/13/2016 No. ZRU-404.

Civil Code of August 26, 1996

Tax Code of April 24, 1997

Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity” dated May 25, 2000.

Regulations on the composition of costs for the production and sale of products (works, services) and on the procedure for generating financial results dated February 5, 1999.

Decree of the President of the Republic of Uzbekistan “On measures to increase the responsibility of heads of enterprises and organizations for the timeliness of payments in the national economy" dated May 12, 1995.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to reduce and streamline reporting for small and medium-sized enterprises" dated February 23, 2000

The second level specifies the provisions of the regulatory legal acts of the first level.

These are National Accounting Standards (NAS), developed and approved by the Ministry of the Republic of Uzbekistan.

NAS regulate the basic rules and procedure for accounting for certain accounting items at enterprises.

To date, 19 NAS have been developed and implemented in Uzbekistan.

For example, some NAS

NAS No. 0 - Conceptual framework for the preparation and presentation of financial statements. reporting

NAS No. 1 - Accounting policies and financial statements

NAS No. 2 - Income from core business activities

NAS No. 3 - Statement of financial results

NAS No. 4 - Inventories

NAS No. 5 - Fixed assets

NAS No. 9 - Cash Flow Statement

NAS No. 15 - Balance Sheet

NAS No. 19 - Organization and carrying out inventory

NAS No. 20 - On the procedure for simplified accounting and reporting by small businesses

NAS No. 21 - Chart of Accounts

The third level is instructions, methodological recommendations, regulations, letters from ministries, committees and departments (Ministry of Finance, State Tax Committee, Ministry of Economy, Central Bank)

Regulatory documents of the third level specify the NAS in accordance with industry and other features of the activities of business entities

For example,

Regulations on the procedure for reflecting transactions in foreign currency in accounting, statistical and other financial reporting dated November 7, 2001.

Instructions on the procedure for calculating and paying taxes to the budget.

Regulations on the procedure for writing off fixed assets from the balance sheet dated February 28, 2001.

Regulations on non-cash payments in the Republic of Uzbekistan dated October 8, 1998.

The fourth level is the internal regulatory documents of the joint-stock company.

They regulate the organization of accounting at a specific enterprise, are developed by the business entity itself and approved by its management.

For example,

Accounting policy of a joint stock company

Working Chart of Accounts

Composition of primary documentation

Procedure for submitting internal reporting

Job descriptions for accounting staff.

Account 9000 "Account for accounting for income from the main (operating) activities" generates information about the income and expenses of the joint-stock company that are associated with the implementation of its main or ordinary type of activity. A comparison of income and expenses on account 9000 "Accounts for accounting for income from main (operating) activities" allows you to determine the financial result from ordinary activities. Account 9000 "accounts for accounting for income from core (operating) activities" corresponds to accounts 4000 "accounts receivable" when calculating revenue for products sold, services provided or work performed; 2800 "invoices for finished products", 2900 "invoices for goods", 2000 "Main production", 2500 "accounts for accounting for general production expenses" when writing off the cost of products sold, goods, works, services, commercial and administrative expenses; 6200 “deferred liability accounts” when calculating taxes payable in connection with purchase and sale transactions. Selling and general expenses may:

will be fully included in the expenses of the current period;

must be distributed between costs for certain types of products, goods (works, services). The Chart of Accounts and Instructions for its use provide for the following subaccounts to account 9000:

9000.1 "Income";

9000.2 “Cost of sales”;

9000.3 "Value added tax";

9000.4 "Excise duties";

9000.7 "Business expenses";

9000.8 "Administrative expenses";

9000.9 "Profit/loss from sales."

Account 9700 “Accounting for extraordinary profits (losses)” generates information about the final financial result obtained by the business entity for the reporting period.

Based on analytical accounting data for account 97 “Account for extraordinary profits (losses)”, indicators of the financial results report are formed.

The main function of account 9700 “Account for extraordinary profits (losses)” is to summarize information related to the formation of the annual financial result, the final balance of which is written off to the equity accounts of the joint-stock company.

Analytical accounting for account 8700 “Accounting for retained earnings (uncovered loss)” is carried out according to the areas of use of funds. In analytical accounting, retained earnings used to financially support the development of the organization's production, for other similar purposes and not yet used, can be divided.

Indeed, operational or core activities have priority over other types (investment, financial, etc.), since they are regular in nature, generate constant income, while consuming the largest amount of resources available to the business entity.

The generation of information on financial results in the management accounting system should ensure the provision of analytical information on income and expenses for the main types of economic activities necessary for management personnel to make economic decisions.

Research and discussion

For the purposes of management accounting, which involves focusing on the specifics of the technological process, we proposed to classify income from the main activity into variable and constant-retrospective. Variable income is income from the sale of finished products of the reporting period. Constant retrospective income is income from the sale of finished products of previous periods, stocks. Information about these incomes is necessary to analyze sales volumes of products produced in different periods, as well as to monitor the sale of inventory balances and identify the relationship between sold inventories of previous periods and changes in inventories for the reporting period.

The system of accounts for management accounting of financial results and the content of information obtained from the system determine the use of the entire accounting system as a management tool for an economic entity. The proposed multi-level structure of account 9700 “Accounts for extraordinary profits (losses)” forms information flows about financial results and is the basis for constructing management reporting on financial results in the management accounting system.

The performance of a joint stock company can be assessed by drawing up various types of reporting. In financial accounting, the income statement is intended to estimate the amount of profit remaining at the disposal of the organization to be distributed.

Table 1.

Requirements for the format of management reports

1.Accessibility for perception
The report should be easy to understand, accurate and concise.
The titles of the document and its sections should be made adequate and understandable. The data presented in the report should not be interpreted ambiguously or misleading.

2.The degree of detail
The content of the report should correspond to the information requests of its recipient (user). Each manager has its own requirements for reporting information.
3. The context of the data provided
Scattered (even accurate) data is not informative enough. Only data placed in the appropriate context, processed appropriately for a specific, clearly defined purpose, becomes meaningful information. For the preparation of management reports, the analysis of trends of ongoing changes is most often used, and the comparison of actual indicators with planned indicators.
4. Standardization
For the generated management reporting, it is advisable for an economic entity to establish the form of such reporting, approve the period of its preparation, the deadlines for submission, responsible persons for both its preparation and use. Standardization will increase the efficiency of preparation and submission of reports, will save time that managers need to familiarize themselves with and comprehend the information provided.
5. Focus on responsibility centers

Source: developed by author

The purpose of any joint stock company is, first of all, to make a profit. The mechanism for generating financial results is of particular interest to company management. In the accounting system, the procedure for determining the financial result is not unambiguous. Financial, tax and management accounting have their own characteristics, determined by the influence of various factors: regulatory regulation, requirements for the degree of analyticality of the process of generating a financial result.

The generation of information on financial results in the management accounting system is determined by the requirements that management personnel impose on management reports containing information on financial results.

It should also be noted that international practice in presenting information on financial results allows for some variability.

In foreign practice of determining financial results, three approaches can be distinguished. The essence of the first approach is that the financial result is defined as the change in the value of the net assets of the joint-stock company for the reporting period. The net asset value is equal to the difference in the valuation of the organization's property and the amount of its debt.

The second approach defines the financial result as the difference in the amount of income and expenses of a joint stock company.

The third approach is to determine the financial result as a change in the amount of equity capital of a joint-stock company for the reporting period, first of all, it is formed from profits to be distributed or losses received to be covered.

The fulcrum for calculating the financial result in the mentioned schemes is the calculation of the total amount, which determines the rational use of the capital invested by the owner. In this case, profit is interpreted as a component of equity capital, that is, its continuous increase over a given period of time.

The selected approaches to determining financial results lead to variability in the forms of reporting financial results.

In Germany, the income statement is presented in a vertical format and is compiled in expensive and functional formats.

In France, two forms are used to compile an income statement - vertical and horizontal, and the main approach in their preparation is the production concept, which is based on the gross output produced (the arithmetic amount of products sold, stored and used for own needs) for the reporting year. base value. Expenses, in turn, are associated with the formation of the cost of all (gross) products, and not just those sold.

Under US accounting standards, the income statement is prepared in one of two acceptable forms: single-step or multi-step. The single-stage form has a simpler structure;

the difference between income and expenses is the amount of net profit. The multi-stage form is more complex, it is the process of calculating net profit by comparing income and expenses by type. The multi-stage form is more informative, so it has become more widespread.

The Anglo-American version of determining the result of a company's activities involves calculating the financial result in accordance with the functions of the enterprise: production, sales, management. This model is based on the concept of product sales, in which gross income is first determined as the difference between revenue from product sales and the sum of variable costs. Gross income allows you to evaluate the profitability of production; it shows what part of the income goes to cover expenses and what part goes to profit. The amount of profit from core activities is formed by the difference between gross income and operating expenses.

The considered approaches to the presentation of financial results demonstrate a tendency towards convergence of existing standards with international financial reporting standards. The widespread introduction of international financial reporting standards is due to the fact that the quality of such reporting is able to satisfy the information requests of interested users.

The requirement to provide an analysis of expenses that form the profit or loss of an enterprise, based on the application of the classification "by nature of costs" or "by cost function" to obtain reliable information is contained in the International Financial Reporting Standard (IAS) 1 according to JSC " Qizilqumsement " "Presentation of financial statements."

Table 2.

The structure of the financial results statement, built "by cost function" (in thousands of soums)

Indicator name	Meaning
Income	1 906 815 181
Cost of sales	1 196693666
Gross profit	71 0 121 515
Other income from core activities	23 103 421
Selling costs	50 838 206
Administrative expenses	41 346 106
other expenses	296 068 050
Profit before tax	300 280 012

When generating a statement of financial results, which is based on the "cost function" method ("cost of sales"), the costs of a joint stock company are classified in accordance with their purpose in the cost formation process, selling costs, administrative expenses. The structure of the financial results statement is presented in Table 2.

Revenue is income from the sale of the main type of product, goods, work and services, inventory, and semi-finished products. Revenue does not include changes in finished goods inventories and work in progress.

Cost of sales is represented on this form by the total cost of products, services rendered, and work performed.

Gross profit is an estimate defined as the difference between revenue and cost of sales.

Other income includes other income not directly related to activities in the main type of activity.

Sales costs are the costs of advertising events, costs of maintaining a sales department, agent network, etc.

Administrative expenses include the cost of maintaining the management apparatus.

Other expenses are represented by expenses not related to the main activities of the organization.

Profit before tax is an estimate calculated as the difference between the sum of all income and expenses.

Business entities using this method disclose in their report information about the cost of products, works, and services sold; about other expenses. Thus, users of financial information have the opportunity to analyze the amount of costs directly related to the products, works or services produced, as well as assess the amount of costs incurred by the organization, regardless of its business activities. The difficulties in applying this method are primarily related to the need to classify costs by function, which entails rough estimates when allocating costs and places high demands on the quality of the accountant's professional judgment.

Both formats for presenting information have the same end result.

As part of the accounting financial statements provided by Russian business entities, the income statement is prepared on the basis of the cost function method.

When using an income statement built using the cost method, a joint stock company provides information on costs broken down by economic elements (for example, depreciation on fixed assets, raw materials used, labor costs, energy costs, sales costs), which makes reporting easier.

The structure of the financial results statement, based on the method "by the nature of costs" according to the data of Qizilqumsement JSC , is shown in Table 3.

Table 3

The structure of the financial results statement, built "by the nature of costs"

Indicator name	expenses (value)	income (value)
Income		1 906 815 181
Other income		23 103 421
Employee benefits expenses	50 838 206	
Depreciation expenses	41 346 106	
other expenses	296 068 050	
General expenses		(388 252 362)
Profit before tax		300 280 012

The raw materials and consumables used include various types of material costs (costs of materials and raw materials, cost of auxiliary materials, spare parts, construction materials, fuel, electricity for technological purposes, costs of work and services of third-party organizations and own auxiliary production, etc.)

In general, it can be noted that the heads of organizations are not always ready for the level of openness and transparency of reporting information established by IFRS. This is largely due to the tax orientation of national accounting. However, this approach is more suitable for management accounting purposes. Using this method allows you to generate information about various costs, as well as analyze the impact of individual costs on the financial result. Such a report can serve as a good basis for constructing management reporting and can be supplemented by the calculation of economic indicators. Thus, on the basis of such a report, relevant information is generated that can be used by management personnel to make effective economic decisions to increase business profitability and more rational use of the resources available to the organization. Let's look at the benefits of cost-based financial performance reporting for management accounting purposes.

It is necessary to pay attention to the wording of the cost items themselves: in addition to the traditional, for domestic management accounting, economic elements, the article "Changes in inventories of finished goods and work in progress" is highlighted as a separate line. The distribution of this indicator indicates the existence of a relationship between production volume, sales volume and inventory volume (in terms of finished goods and work in progress). To study this relationship, it is advisable to use the marginal approach, since it is based on the relationship between production volume, sales volume and operating profit. First, let's look at the income statement, which highlights the key metrics "revenue" and "costs."

Thus, information about the formation and total amount of profit in the accounting system is intended to satisfy the information requests of internal and external users. Let's calculate the financial result using the example of branded cognac spirit according to the data of Qizilqumsement JSC for 2020 using the traditional method in Table 4.

Table 4

Calculation of financial results in the traditional way

Indicators	Values
Annual sales volume	2 trillion 220 billion 961 million 615 thousand soums
VAT	3,657,486 thousand soums
Annual income	589 billion 995 million 377 thousand sum
Cost of all products	1 trillion 233 billion 673 million soums
Profit	589 billion 995 million soums

Calculation of marginal income provides the management of the organization with the necessary information about how effective and efficient the work of the organization as a whole and its structural divisions turned out to be, and also allows one to analyze the efficiency of production and sales by type of product. The determination of the financial result according to the data of Qizilqumsement JSC for 2020 using the marginal method is shown in Table 5.

Table 5.

Calculation of the financial result by the margin method

Indicators	Values
Annual sales volume, thousand soums.	2 trillion 220 billion 961 million 615 thousand soums
VAT, thousand soums.	3,657,486 thousand soums
Annual income, thousand soums.	589 billion 995 million 377 thousand sum
Variable costs, thousand soums.	9.7 billion soums + 380,132.0 million soums + 117.4 kWh/t+51,190,510 thousand soums 32,690,252 thousand soums = Variable costs = Costs of raw materials + Materials + Electricity + Fuel + Bonus part of salary
Marginal income	2 220 961 615 – 94 500 = 2 220 867 115
Fixed costs	228,122.0 million soums + 254,715,054 thousand soums + 41,346,106 thousand soums + 990,924 thousand soums + 5,107 million soums = Fixed costs = Salary costs + Premises rental + Depreciation + Property taxes + Advertising
Profit, thousand soums.	664,340,291 thousand soums

The identified differences are due to the distribution of fixed costs. Thus, if production volume exceeds sales volume, part of the fixed costs is included in the cost of products in the warehouse when calculating it in the traditional way; with the marginal method, fixed costs are completely written off as the costs of the reporting period. Therefore, the net operating income using the traditional method will be greater than the net operating income using the marginal method.

Conclusion and suggestions

As for the frequency of reporting, it should be noted that each organization sets it independently. However, it must be prepared frequently enough to satisfy the principle of timeliness and enable management personnel to make economic decisions of a tactical, operational and strategic nature.

There are a number of requirements for the content of management reporting:

feasibility - information presented in internal reporting must correspond to the purposes for which it is compiled;

profitability – the costs of generating management reporting must correspond to the benefits from its use;

objectivity – information must be reliable and unbiased;

targeting - information must be provided to responsible persons in accordance with confidentiality requirements;

brevity - information should not contain unnecessary data that complicates its understanding, and it should be presented in a clear content and understandable form of presentation for making the necessary decision.;

accuracy - management accounting information consists of 30% accounting information and 70% information from other sources (surveys, questionnaires, market research, etc.), as a result of which it may contain a certain level of errors, its value should be as follows so that this fact does not interfere with making an informed decision. - creation;

efficiency - information should be received by users in a timely manner, in time for discussion and decision-making;

Comparability of reporting – information coming from internal and external sources should be provided in a uniform form so that it can be compared and used both throughout the organization and in the context of structural units;

efficiency – a rational ratio of the costs of preparing reports and the benefits of their use must be maintained.

Special requirements for internal reporting:

the reporting structure should be uniform, but if necessary, it should be possible to make adjustments to it;

reporting should be provided at a frequency that allows for timely analysis and operational control.

At the stage of preparation for the generation of management reporting, an objective need arises to define goals, objectives, basic concepts, structure, and describe the procedure for its preparation. Therefore, it is necessary to develop a document defining the main provisions of the management reporting process, i.e. describe the progress of their implementation in local regulations. A document such as a regulation gradually illuminates the progress of a process that is being worked on in several departments at once.

When calculating financial results in the management accounting system, it is necessary to take into account the relationship between indicators of production, sales and inventory. The identified relationships, combined with the marginal approach, classification of costs "by nature" and the use of the process approach, allowed us to build management reporting that reflects the economic and accounting features of the economic life of a joint-stock company.

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