



Improvement of Normative and Legal Provision of Accounting of Biological Assets In Uzbekistan

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Abstract:

This article describes the problems of agricultural activity in Uzbekistan, including the legal and regulatory support for recording biological assets. The definitions and approaches of economists to the issue of biological assets and their accounting are studied. The content of international and republican regulatory documents on the recognition and accounting of agricultural activities, in particular biological assets, has been studied. Conclusions were drawn and proposals were made to improve the legal framework for accounting of biological assets.

Keywords: biological assets, agricultural activities, accounting, regulatory legal documents, international accounting standards, national financial reporting standards.

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Introduction

In the Resolution of the President of the Republic of Uzbekistan dated October 23, 2019 "On approval of the strategy for the development of agriculture of the Republic of Uzbekistan for 2020-2030" No. PF-5853 "Diversification of production, improvement of land and water relations, creation of a favorable agribusiness environment and high added value chain, support for the development of cooperative relations, wide introduction of market mechanisms, information and communication technologies in the field, as well as effective use of scientific achievements and personnel capacity building" [1] tasks are defined.

The President of the Republic of Uzbekistan Resolution No. PQ-4611 dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting" states. By accelerating the transition to international standards of financial reporting, providing foreign investors with the necessary information environment and expanding access to international financial markets, as well as, improvement of the system of training of accounting and auditing specialists according to international standards"[2]implementation of tasks is presented.

Of course, to ensure the implementation of the set priority tasks, agricultural activities in Uzbekistan, including improving the accounting of biological assets, creating a favorable agribusiness environment and wide introduction of market mechanisms, by accelerating the transition to international standards of financial reporting, providing foreign investors with the necessary information environment and expanding access to international financial markets and requires the improvement of the normative and legal basis of accounting of agricultural activity.

The theoretical-methodical, organizational and normative-legal bases of the problems related to the improvement of the accounting of agricultural activities, especially biological assets, are expressed in the scientific and educational-methodological works of the economists of our republic. However, some aspects of the theoretical-methodical and normative-legal aspects of accounting of agricultural activity were researched in their scientific and educational works. In particular, there are different definitions, interpretations and approaches of the economists of our country regarding the improvement of the normative and legal basis of accounting for agricultural activities, including biological assets.

Literature and review

For example, economist B.Yu. Menglikulov stated that "The national accounting standards and other regulatory legal documents in force in the republic today do not reveal the economic content of biological assets and do not specify the requirements for organizing their accounting" and "Biological assets as a separate accounting category recognized and the rules of international accounting standard (IAS) No. 41 "Agriculture" should be applied taking into account the characteristics of the agriculture of our republic" [3, 4].

Z.U. Mukhammadiev, one of the experts in the field, said, "It is natural that the requirements and tasks for the harmonization of our national accounting system with international standards make it an objective necessity to adopt a comprehensive standard for biological assets. Therefore, in our opinion, it is appropriate to approve the procedures for agricultural activities and biological assets in a national standard status called "Biological assets" [5].

Economists R.D.Dusmuratov and R.K.Rizaev expressed their opinion that "If we turn to national practice, the concept of biological assets is interpreted differently in accounting legislation and national standards" [6] in NAS No. 21 "Working and productive animals". It is explained that it is accounted under the name "Perennial plants" and "Accounts accounting for animals in cultivation and feeding". At the same time, "... in our national accounting standards, the concept of "living animals" in relation to "plants" in biological assets is expressed more broadly. Also, in "vegetation" emphasis is placed on perennial plants. They note that annual crops (cotton, grain, etc.) included in the agricultural harvest are not taken into account [5]. Also, they emphasize that it is not possible to directly apply the provisions of the 41st IAS entitled "Agriculture" to the practice of our republic, and they say that it is necessary to develop a modified standard based on this standard. That is, on the basis of the modified system, our republic envisages the development of "Agrarian sector accounting" or similar modified standard based on IAS No. 41 "Agriculture" for agricultural subjects.

Economist O.O.Barakaev [7], based on Clause 3 of the Resolution of the President of the Republic of Uzbekistan No. 4611 of February 24, 2020 "On additional measures for the transition to international standards of financial reporting", the national accounting standards (NAS) of financial reporting for the purpose of harmonization in accordance with international standards (ISMS), No. 4 "Inventories" and No. 5 "Fixed assets" of NAS, which covers the accounting part of agricultural assets of NAS No. 41 "Agriculture" harmonized and offered with "Agricultural accounting".

Today, if we pay attention to the national accounting system of our republic, there is no specific normative legal document that defines the procedure for organizing, maintaining and reflecting the accounting of agricultural activities in the financial report. Also, what kind of activity is agricultural activity, the concepts of biological assets and agricultural products, which are the main accounting objects in the account of agricultural activity, have not been disclosed. In international practice, there is the 41st "Agricultural" IAS, which defines "agricultural activity as the management of the biological transformation and collection of biological assets for sale or conversion into agricultural crops or additional biological assets by a business entity" [8]. At the same time, this standard defines the basic procedures for disclosing, recognizing, evaluating, measuring and accounting for the main objects of the agricultural activity account and the content of the financial statement. At the same time, it uses terms with the following defined meaning (Table 1).

Table 1

Definitions and approaches given in IAS No. 41 "Agriculture"

T/r	Term name	Given definition and approaches
1	Biological asset	A living animal or plant
2	Agricultural product	It is the accumulated product of the biological assets of the agricultural entity
3	Biological transformation	Covers the processes of growth, reproduction, production, and reproduction that cause qualitative and quantitative changes in a biological asset.
4	Group of biological assets A G	It is a generalization of similar living animals or plants
5	Collection	Separation of a product from a biological asset or the end of the life cycle of a biological asset
6	Selling expenses	In addition to financing costs and income taxes, there are additional direct costs associated with writing off an asset.

7	Balance value	Is the value of an asset recognized in the statement of financial position
8	Fair value	It is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. (No. 13 IFRS "Estimation of fair value")
9	State grants	20 IAS has the same definition as in Accounting for Government Grants and Disclosure of Government Assistance

From the above definitions and approaches, it can be seen that the main object of accounting in agricultural activities of business entities is biological assets and agricultural products obtained from them.

These assets are reflected in the current accounting regulations as a type of long-term and current assets. In particular, the procedures for their recognition as assets, evaluation, organization and maintenance of accounts and their reflection in financial statements are defined in the following regulatory legal documents (Table 2).

Discussion

It is clear from this that if the legal entities belonging to the above category are engaged in agricultural activities, they will create, maintain and reflect in the financial report the account of this activity based on the procedures established in IAS No. 41.

However, there are thousands of agricultural entities (farms, limited liability companies, etc.) that do not fall into this category, and the accounting of agricultural activities is regulated on the basis of national accounting standards (NAS). Table 2 provides information on how to organize and maintain the account of agricultural activity on the basis of NAS and how it is reflected in the financial report.

Based on the current legal documents, international experience and opinions presented in the scientific researches and methodological works of economists, the following suggestions and conclusions were formed regarding the improvement of the legal basis of the accounting of agricultural activities, including the accounting of biological assets:

First, according to the decision of the President of the Republic of Uzbekistan No. PQ-4611, legal entities engaged in agricultural activities are divided into two categories from the point of view of keeping accounts of biological assets, which are the object of this activity account. Classification of business entities engaged in agricultural activities: in the first category, joint stock companies and legal entities included in the category of large tax payers; the second category includes farms, limited liability companies and other legal entities not included in the first category. The objects of agricultural activity accounting are biological assets, agricultural products in the first category, working and productive animals, perennial plants, cultivated and fed animals in the second category.

According to the established basic standards for keeping account objects, NAS No. 41 "Agriculture" for category 1, NAS No. 16 "Fixed assets", NAS No. 2 "Reserves", NAS No. 4 "Inventories" for category 2, NAS No. 5 "Fixed assets" will be introduced.

Table 2

Normative legal documents aimed at regulating agricultural activities, especially biological assets in the Republic of Uzbekistan

No	Name of regulatory legal document	Notes
1	Law of the Republic of Uzbekistan "On Accounting".	In it, the procedures for asset assessment, income and expense accounting are defined, which are directly related to agricultural activity and its accounting objects, biological assets and agricultural products.
2	National Accounting Standard (NAS) entitled "Conceptual Framework for the Preparation and Presentation of Financial Statements"	It defines the definition of assets, their recognition, evaluation, measurement and accounting principles. In turn, they also apply to biological assets and agricultural products that are the object of agricultural activity accounting.

3	National accounting standard (NAS) No. 1 "Accounting policy and financial reporting"	It defines the definition of assets, their recognition, evaluation and accounting policy development procedures. These established procedures are the basis for accounting of agricultural activity and its accounting objects, biological assets and agricultural products.
4	National Accounting Standard (NAS) No. 4 "Inventories"	It defines the definition of reserves, their recognition and evaluation, and the rules for accounting. They are related to accounting of animals, plants and agricultural products in cultivation and feeding, which are part of short-term biological assets that are the object of agricultural activity accounting.
5	National Accounting Standard (NAS) No. 5 "Fixed Assets"	The procedures for definition, recognition, evaluation, measurement and accounting of fixed assets are established, and they are also considered to be directly related to working and productive animals and perennial plants, which are part of long-term biological assets that are the object of accounting of agricultural activity.
6	National Accounting Standard (NAS) No. 19 "Organization and Transfer of Inventory"	It defines the procedures for organization and transfer of inventory in business entities. These established procedures include the inventory of biological assets and agricultural products that are the direct object of agricultural activity accounting.
7	National accounting standard (NAS) No. 21 "Plan of accounting accounts of financial and economic activities of economic entities and instructions for its application"	These elements of the financial statement determine the procedure for reflecting economic transactions related to them in the accounts in accordance with the rules of accounting. It specifies separate accounts and procedures for accounting for biological assets and agricultural products, which are the direct object of agricultural activity accounting.

The first category according to the composition of the financial report is the report on the financial situation at the end of the period; statement of profit or loss and other comprehensive income for the period; statement of changes in capital for the period; statement of cash flows for the period; comments, second category balance sheet; financial performance report; statement of cash flows; statement of equity; includes comments, explanations and calculations.

It is known that in the above decision, implementation of the tasks of "Improvement of national accounting standards taking into account the harmonization of them with the IFRS" and "Revision of regulatory legal documents taking into account the introduction of the IFRS" are defined. Therefore, to ensure the implementation of the tasks set for the harmonization of the national accounting system in our republic with international standards, as well as to take into account agricultural activities in the second category of business entities, taking into account the specific features of recognizing, evaluating, accounting and reflecting in the financial report biological assets related to agriculture in business entities. in order to improve the procedure of obtaining, we believe that it is appropriate to develop a national standard of financial reporting (IFRS) that ensures the accounting of agricultural activities in business entities and reflects them in financial reports in accordance with the Law of the Republic of Uzbekistan "On Accounting" in a way that harmonizes the current NAS with IFRS .

Secondly, in the structural structure of this standard, combining international and national experience, based on the specific characteristics of agricultural activity, in our opinion, the following issues should be reflected in it (Table 3).

Table 3

The structure of the IFRS, which ensures the accounting of agricultural activities, in particular, biological assets, and their reflection in financial statements

Chapter name	Composition
The purpose	This national standard of financial reporting (IFRS) is based on the Law of the Republic of Uzbekistan "On Accounting" determines the accounting and financial reporting of agricultural activities in appropriate business entities
General rules	The scope of application of this standard, definitions of the main terms, economic categories and concepts related to agricultural activities, including biological assets, are presented in the chapter of general provisions.
Recognition	In the chapter on recognition, the conditions for recognition of assets related to agriculture are mentioned. In particular: if the business entity controls the asset as a result of past events; if there is a possibility that the business entity will receive future economic benefits related to the asset; conditions are defined as if the fair value of the asset can be reliably estimated
Evaluation	In this chapter, methods of assessment of biological assets and agricultural products, which are the object of accounting of agricultural activity, and the rules of their application are mentioned. In particular, the procedure for the initial recognition and evaluation of these assets at the end of each reporting period is clarified
Advantages and disadvantages	This chapter shows the procedure for recognizing and reflecting in financial statements the profits and losses arising from biological assets and agricultural products that are the object of agricultural activity accounting.
Clarifying information	The classification of each group of biological assets and agricultural products, which are the object of agricultural activity accounting, and the procedure for clarifying information about the changes that occur in them
Final rules	This chapter outlines the entry into force of this standard and its transition rules, amendments and exclusions.

In our opinion, keeping records of agricultural activities in business entities and reflecting them in financial reports will ensure the development of the structural structure of IFRS and make it relevant, reliable, understandable and simple for the needs of its users.

Conclusion

Thus, taking into account the above proposals in improving the regulatory and legal basis of accounting for agricultural activity will make it possible to:

- development of the national financial reporting standard (IFRS) taking into account the recognition, evaluation and accounting of biological assets and agricultural products related to agricultural activities in business entities as an object of account and financial reporting element, as well as the procedure for reflecting in financial reporting, taking into account the harmonization with international standards of financial reporting serves to improve and provide information users with timely, correct and accurate information for making rational management decisions;
- Since the structural structure of IFRS is formed in a logically consistent manner, full coverage of all aspects of agricultural activity is ensured;
- procedures for accounting objects of accounting are explained in each component. This of course ensures that it is simple and understandable for the user;
- it will be possible to establish mechanisms for the implementation of accounting methods in accordance with the specific characteristics of agricultural activities, including biological assets.

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