



The Role of Accelerated Depreciation Methods for the Fixed Capital of the Enterprise in Financing

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Abstract: *The article discusses the possibilities of financing the fixed capital of the enterprise by applying accelerated methods of depreciation, renewing the fixed capital due to its effective use, and early compensation in the conditions of inflation.*

Keywords: *Fixed capital, depreciation policy, depreciation allowance, accelerated method of depreciation, tax accounting policy, leasing, taxable profit, discount rate, net cash income.*

Enter

The existing economic system in the country, the technical condition of the fixed capital and the amount of its accumulated reserve, as well as the cyclical nature of economic development, affect the strategic goal of the depreciation policy. The institution of ownership also found its expression in this. In any case, the question of distribution and use of the depreciation fund is very important. The possibility of such redistribution is associated with the ability to participate in extended reproduction of the depreciation allocation and the administrative method of management. With the transition to new methods of economic management, the widespread use of economic accounting necessitated the need to ensure the expansion of economic incentives for economic entities and decentralize the depreciation fund. Privatization began to be recognized as a way to solve the problem of optimal use of fixed assets and their renewal.

Privatization of state-owned objects has a significant impact on its depreciation policy. An entrepreneur needs to clearly know the results and costs of his activity in the event of a crisis, as well as what part of the cash income should be written off to cover the advanced capital and how much should be transferred to profit. The main role in this is played by the use of new accelerated methods of depreciation. The reform of property relations does not reduce the importance of depreciation as a regulator of financial relations, but rather enhances it. Because depreciation resources are one of the main sources of private owner investments. Therefore, the question of calculating and using depreciation becomes more important for the privatized sector of the economy than for the public sector.

Methods

The article uses the methods of grouping, comparison, scientific thinking, economic-statistical, research objects and reporting the obtained results.

Results

With the development of the economy, interest in the accelerated depreciation of the fixed capital in the competitive environment increases sharply. However, the application of this method faces

objective obstacles. As a result, the increase in the depreciation allocation as a result of the application of accelerated methods is compensated by the use of reduced coefficients for certain types of capital.

Due to the economic crisis and constant lack of funds at various stages of the development of the republic's economy, the enterprises used the funds for depreciation in their current economic activities without purpose. This was also caused by the fact that effective forms of protection of investment funds from inflation were not described by the banking system.

Another problem is the financing of depreciation, which is considered an investment. Observations show that the share of non-cash mutual settlements in the sale of construction materials between enterprises is 60-70%.

In the last 2019-2020, as a result of a steady decrease in inflation expectations, the absence of an increase in the absolute amount and share of borrowed funds in the sources of fixed capital investments is also a positive situation. At the same time, it means that the funds borrowed for the purpose of investment are becoming increasingly unreliable.

Depreciation, which is considered as the materialized form of the investment main resource, is also an economic basis for obtaining construction materials on mutual accounts. This leads to an increase in the disproportion between the possibility of using depreciation funds in the form of money and the reduction of this possibility in the conditions of mutual settlements.

Depreciation allowance is a part of the national wealth, which must be rationally spent without disappearing without a trace in the current accounts of economic entities. It is necessary to ensure the optimal centralization of investment costs to the introduction of high technologies and improved techniques, to projects that ensure economic growth, through the means of state regulation.

Most organizational and legal forms of economic management (mainly

rental enterprises) is not capable of eliminating the conflict between the use of accelerated methods of calculating the depreciation allowance and obtaining sufficient income from the participants of domestic economic units.

Depreciation does not fulfill its purpose when it is directed to current consumption. In some studies, not less than 50% of the calculated depreciation is used for current consumption purposes. According to them, this is due to the state's inability to take forward institutional changes in its economy. In this case, the market environment formed by the state can no longer continue the path of passively waiting for the increase of investment activity within the framework of the self-regulation mechanism.

In order to look at the impact of the method of calculating the depreciation allowance on the gross income and, accordingly, the profit, it is necessary to implement the depreciation based on the current value of the cash flow. To do this, we use the net cash flow (SPD) formula applied to depreciation:

$$SPD = \sum_0^{t\alpha} \frac{A}{(1+E)^{t\alpha}} \quad (1)$$

where A is the sum of the annual depreciation allowance;

✓ service period of equipment accepted for calculation of annual depreciation;

E is the discount rate.

Cash flow from the depreciable asset over an interval equal to its useful life equals the period of depreciation calculated by the linear, declining balance, and sum-of-the-years methods of useful life. The amount of taxable profit for the accelerated depreciation method is equal to 0 during the depreciation period, and for the non-accelerating straight-line method, it is equal to twice the amount of the current depreciation allowance. Taking into account the intended amount of taxable profit, the above formula takes the following form:

$$SPD = \sum_0^{ta} \frac{A+P_c}{(1+E)^{ta}} \quad (2)$$

where P_c is the annual taxable profit.

In order to improve the situation in ensuring that depreciation is used for its purpose, it is not without benefits to conduct economic experiments at the level of individual enterprises or regions. Within the framework of the amendment, it is envisaged to strengthen the function of reproduction of depreciation and to introduce tax protection of the fixed capital. This provides an opportunity to use the recommended economic leverage for intensive renewal of fixed capital. The content of the expression will be as follows:

reorganization of the depreciation account in order to ensure the integral connection between accounting and control of its allocation and cash flow;

it is necessary to include the concept of added value in the indicator of net income from sales in accounting. In this case, when calculating VAT, it is necessary to subtract depreciation from its base;

to increase the accelerated value of the depreciation deduction for fixed assets and intangible assets in comparison with the norms established in the Uniform Tax Code and thereby bring it to the level of developed countries; deducting the accelerated part of depreciation deductions from the profit tax base and reflecting it as an economic effect in accounting, thereby expanding the sources of investment resources.

In order to solve these tasks, it will be necessary to improve and make changes in the tax legislation, to solve the coordination work on accounting and tax accounting.

It is important that the accounting and tax accounting policies of enterprises are focused on strengthening the role of depreciation as a source of maintenance of the renewal process of fixed assets.

New equipment is purchased at the expense of maintenance funds, its modernization takes place, and this is contrary to tax legislation. This transaction must be made only at the expense of depreciation or net profit after making all payments. The main reason for the use of depreciation funds in unproductive consumption today is the preference of consumption over savings. This issue cannot be solved without achieving the stability of the credit-monetary system, because in the conditions of inflation, enterprises cannot be required to direct their funds to investments. The development of investment processes in a stable economic environment is faced with the problem of accumulating resources for the realization of economic growth. There is a great need to replace the material and technical base of the country. Due to limited resources, it is not possible to direct scarce resource funds from consumption to savings because the national economy cannot withstand a high investment load. Crisis situations lead to the loss of the resource-technological possibility of ensuring the investment process in the previously created production apparatus. For this reason, traditional manufacturing is capable of reproducing only outdated product samples in a situation where resources for innovation are limited. In such conditions, centralized depreciation funds can serve as a real and available source of financing economic reforms. Using these funds to finance innovative programs is the only way to get the economy moving at any level.

Summary

We have come to the conclusion that it is appropriate to encourage and develop the use of the accelerated depreciation method in the current period, when the wide use of new techniques and technologies in the economy, the expansion of the use of the digital economy, new electronic programs are required, and it should be carried out in the following priority directions:

1. Accelerated depreciation method should be implemented not only in small business and private entrepreneurship, but also in medium-sized enterprises. Because, starting in 2019, one billion enterprises with turnover are not considered small business entities and they pay taxes in the general manner and are included among large enterprises. It requires "quick adaptability to

changing market demand". According to the analysis, 25-30 percent of newly established and operating small and private business enterprises in our republic will stop their activities in a short period of time. This is primarily due to competition in market conditions, inability to adapt production capacities to new modern requirements, lack of necessary financial resources for reshaping tools. Encouraging the introduction of an accelerated method to enterprises of this type increases their competitiveness in the market by accumulating the cost of their fixed capital in the early stages of their activity.

2. Based on the international experience on depreciation calculation, the application of the accelerated depreciation method in the "aggressive" environment, as well as in relation to fixed assets that are used for active continuity, should be strengthened by law. The reason is that the fixed assets in such use wear out faster from the physical side, and under the conditions of depreciation calculated using the straight-line method, it is observed that they become obsolete before the end of their service life.
3. Priority should be given to the use of accelerated depreciation methods even when fixed assets are purchased on the basis of financial and operational leasing. This situation is an effective way to reduce the tax burden by providing tax incentives for the development of leasing, and it is observed that when fixed assets are purchased through leasing, the efficiency of use and financial consequences for the enterprise are somewhat higher than when they are obtained through rent or credit. In this regard, in the economy of the US and European countries, tax credits and accelerated depreciation on financial and operational leases have been effectively used for the last few decades, and appropriate benefits have been provided to them. In recent years, the market of leasing services has been developing in our country. Lease laws have been perfected. A number of benefits have been provided to this sector based on the Tax Code of the Republic of Uzbekistan. When the fixed assets are used on the basis of leasing, it is appropriate to provide tax benefits as the accelerated depreciation method is not included in the tax base.
4. In our opinion, another advantage in applying the accelerated depreciation method should be given to buyers of fixed assets created by domestic manufacturers. On the one hand, it encourages national manufacturers to produce fixed assets, and on the other hand, it encourages the reduction of the share of imported machinery and equipment in the foreign trade balance, and the increase of products with high added value.

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