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Issues of Formation of Financial Statements in Small Business and Private Entrepreneurship Subjects According to IFRS

Ismanov Ibrokhim Nabiyevich [1], **Mamasaliyeva Kamola Karimovna** [2]

[1] Doctor of economic sciences, professor, Head of the department of Accounting and auditing At the Fergana Polytechnic Institute
[2]Master's student of the department of Accounting and auditing At the Fergana Polytechnic Institute

Abstract: the article discusses the features of accounting in the transition of small organizations to the IFRS. Today, the development of accounting in accordance with the International Accounting Standard is an important factor for the successful development of small business. Small business financing is not widespread enough and is not interesting for investors, because large and medium-sized businesses are more attractive to receive dividends in the short term, which does not work in favor of small businesses, where profit is possible only after a long time. One of the opportunities for the development of small business in Uzbekistan is the possibility of applying international financing, international tenders and obtaining loans. At the same time, one of the important conditions of financing is compliance of financial statements of organizations with international standards.

Keywords: small organizations, financial statements, international financial reporting system.

Introduction. International financial reporting standards (IFRS) allow organizations to present financial statements in a unified form, as a system, which opens a new page for small and medium-sized enterprises in their development.

In recent years, the problem of application of IFRS by small and medium-sized enterprises is one of the most discussed problems in the field of regulation of financial reporting. Large, primarily multinational companies that attract significant financial resources in stock markets [2], including foreign markets, have developed international standards for use. The main beneficiaries of the existence of such standards are global investors who deploy their assets around the world [3]. Attempts to apply the IFRS by enterprises traditionally classified as small and medium, primarily developing and transition economies, show the difficulties of such enterprises in applying the principles and accounting requirements provided for in the IFRS [1].

It can be said that almost all parties interested in the application of IFRS at the level of small and medium-sized enterprises agree that the standards for this category of enterprises should be simplified [4]. The first discussions on this issue took place in 2005, when the IFRS Committee announced the start of work on adapting the IFRS for small and medium-sized businesses.

In 2007, the debate started again with the introduction of the IFRS project for small and medium-sized businesses. According to the Association of Chartered Certified Accountants (ACCA), the long-awaited draft of the IFRS standard is a serious step towards creating an effective international financial reporting system for this important sector of the economy. The IFRS committee has done a lot of work to optimize the overly complicated financial reporting system for small and medium-sized businesses.

Research methodology. In the course of the research, the main characteristics of small business related to the organization of accounting in the context of the transition to international financial reporting standards studied using the factor analysis method.

Analysis of the literature. To date, the model table of calculations for accounting of the financial and economic activities of economic entities and the instructions for its application are used. And based on it, regardless of the form of property, industry, organizational and legal form [5], accounting is carried out in all economic entities in accordance with double-entry that it should be increased is expressed in normative documents.

Practitioners-researchers express different opinions on the application of a single standard calculation table for all branches of business. For example, Y.N. Potekhina [6], [7] believes that the role of a single chart of accounts is to serve the purposes of both financial and management accounting; financial accounting is concerned with the accounts reflected in the balance sheet, while management accounting is concerned with the accounts that do not have account balances and turnover. E.E. Koba says that the single graph of the account makes it difficult to reflect the specific characteristics of the production enterprise [8], [9], [10].

Both points should be taken into account when developing approaches to creating a new working chart of accounts, because there are general rules for using the chart of accounts to ensure the unity of financial and economic activities [11], assets and liabilities [12], and reporting facts [13]. But at the same time, when using the standard chart of accounts, different aspects of the economy are there are difficulties in taking into account the specific characteristics of networks [14]. Business entities can take into account the specific features of their activities as much as possible when developing a working schedule of accounts [15]. In order to provide methodological support to small business entities, it is important to develop a normative document that reflects the characteristics of the economic entity and the specific characteristics of accounting [16], [17].

Analysis and results. For the successful global application of the new standard, it will be important for different countries to exercise some flexibility in complying with its provisions. However, there are still many challenges for financial statements preparers (accountants) in using the standard [18]. In addition, the draft standard does not provide a clear formulation of the needs of users of these types of reports.

According to the IFRS for small business, small and medium-sized businesses are considered as enterprises that do not need to present their financial statements to a wide range of users, external users, that is, owners who are not involved in business management and existing and potential creditors.

The purpose of the financial statements of small or medium-sized businesses is to provide information about the financial position of the enterprise [19], the results of operations and cash flow, they do not have the opportunity to demand reports prepared taking into account their own statements when making economic decisions.

This information must provide a reliable representation of the company's financial position, financial results and cash flow. It requires a fair reflection of the consequences of transactions, other events and conditions in accordance with the definitions and criteria for the recognition of reliable assets, liabilities, income and expenses.

Application of IFRS for small businesses, with additional disclosures as required expected to result in the preparation of financial statements that provide a true and fair view of the financial position, financial results of operations and cash flows of the small business [20], [21].

Disclosure of additional information is necessary in cases where compliance with specific requirements of the IFRS for small businesses helps users understand the impact of certain transactions [23], other events and conditions on the financial position and financial results of the enterprise [24].

A company must present a complete set of financial statements (including comparative information) at least once a year. A complete set of financial statements of the enterprise should include:

1) the intermediate result is the profit or loss (in the designation of recognized objects, including the recognized income and expenses for the period, all the data for the reporting period for the reporting date or the statement of the financial position, such as in the statement of comprehensive income). In addition, other comprehensive income product income, or - a separate statement of income and a separate statement of comprehensive income. If an entity chooses to present both a profit and loss statement and a statement of comprehensive income, the statement of comprehensive income begins with the profit or loss line, followed by other comprehensive income items.

2) Statement of changes in private equity for the reporting period.

3) A statement of cash flows for the reporting period.

4) Notes containing a summary of significant elements of accounting policies and other explanatory information.

A company can present a single income statement for the year if the only changes in the company's capital for the reporting period are due to profit or loss, payment of dividends, corrections of errors from previous periods and changes in accounting policies. Enterprises in the formation of notes to the financial statement:

1) Preparation of financial statements and providing information based on specific principles of accounting policy.

2) Disclosure of mandatory information not shown in other parts of the financial statement.

3) Provide information that may be reasonable to understand any financial statement.

A company should file records in an orderly manner as much as possible.

For each item presented in the financial statements for which there is related information in the notes, the company must provide a correlation directly in the financial statements.

Notes usually presented in the following sequence:

1) Financial report is a statement prepared in accordance with the IFRS for small business.

2) A set of important rules of practical accounting policy.

3) Financial tables presented together with information for objects, and the result of such information presentation must be consistent with the sequence of presentation of financial tables and articles in them.

4) Any additional information.

In the summary of significant accounting policies, the company should disclose the basis of measurement used in the preparation of the financial statements, as well as other accounting policies that may be useful in understanding the financial statements.

According to IFRS for small business, accounting policies are specific principles, frameworks, agreements, rules and practices used by an enterprise in preparing and presenting financial statements.

When forming an accounting policy, an enterprise must choose and consistently apply it to such transactions, other events and conditions, except for cases where the IFRS for small businesses requires or permits the classification of items to which a different accounting policy should be applied. If a standard requires or permits such classification, the appropriate accounting policy should be selected and applied consistently to each such classification.

Changes in accounting policies permitted when necessary, or when the financial statements deemed to provide reliable and more relevant information about the effect of transactions, other events or conditions on the financial position, operations or cash flows of the enterprise.

The standard provides for certain actions that do not lead to a change in accounting policy:

- ✓ the application of accounting policies to transactions, other events or conditions that are fundamentally different from transactions, other events or conditions that occurred previously;
- ✓ the application of new accounting policies to transactions, other events or conditions that did not previously occur or are insignificant;
- ✓ a change in the actual cost accounting method if a reliable fair value measure is no longer available (or vice versa) for an asset that would otherwise be required or permitted to be measured at fair value by this IFRS.

For small business, the company applying the IFRS for the first time should use the special procedure provided by the standard for these cases [25].

The accounting policies used by the company in preparing the statement of financial position at the beginning of the reporting period may differ from the accounting policies used by the company in preparing the financial statements for the previous period. In this case, there is a need to formulate appropriate corrections. Therefore, on the date of transition to IFRS, the entity should reflect such adjustments directly in retained earnings (or in another category, if necessary).

In the notes to the financial statements, the entity must explain how the application of IFRS has affected its financial position, financial results of operations and cash flows.

Conclusion. An important problem of small business accounting is the preparation of financial statements. The maximum simplification of accounting and reporting processes carried out based on the development and approval of such a working table of calculations, the development of which should take into account two areas developed in the practice of small business activity:

1) Use of traditional calculations by enterprises applying the general taxation regime.

2) Use of simplified accounting by enterprises working on abbreviated tax reporting.

Accounting in a small enterprise must constantly document all the facts of economic activity, implement internal control to achieve the reliability and accuracy of accounting, and provide quick information about the current state of the enterprise.

In order to carry out high-quality accounting, a small business must correctly calculate its tax liabilities, the characteristics of which directly related to the current tax regime.

The use of special tax regimes by small enterprises is associated with certain restrictions, the violation of which leads to the loss of the right to use the special regime, but does not lead to the loss of the status of a small enterprise. Consequently, the taxation regime used by the enterprise is a variable state, and the status of a small business entity is relatively constant. In the context of this position, it makes sense to apply the integration of tax accounting to accounting.

Such integration is primarily concerned with the disclosure of business facts, which are the main cause of the gap between accounting and taxable profit.

Secondly, in the process of analyzing the obtained data, it is possible to check the completeness of the income tax calculation operations by establishing a connection between accounting and tax accounting.

Third, integration increases management's control over current activities, allowing for the identification of transactions that are not limited to the transaction price, as they must include the amount of income taxes.

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