Accounting Policy of The Enterprise: Development and Amendments

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Abstract: **The article discusses the role and application of accounting policies as ensuring the financial and economic security of the enterprise, as well as the development and amendment of the accounting policies of the enterprise in accordance with national and international financial reporting standards, as well as the impact of accounting policies on the decision of users of financial statements.**

Keywords: Accounting policy, assessment, errors, financial report, principles, method, rules, practice, information.

I. INTRODUCTION

Accounting policies of enterprises (SCP) of the most important element of corporate financial reporting and guarantees the economic and financial security of enterprises. The accounting policy of enterprises is understood as its accepted set of methods of accounting - primary taxation, cost measurement, the current grouping and the final generalization of the facts of economic activity.

The methods of accounting include methods of grouping and evaluating the facts of economic activity, paying off the value of assets, organizing and maintaining document circulation, inventory, the method of using accounts for accounting, accounting register systems, information processing and other relevant methods and tricks.

The accounting policy of the organization includes the following sections: organizational, technical and methodological, which in turn divides the accounting policy into two areas, such as for accounting purposes and for taxation purposes.[7]

To date, the approved presidential act of February 24, 2020, the Decree "On additional measures for the transition to international financial reporting standards" No. PP-4611, opens a new page in the history of the transition to IFRS in the Republic of Uzbekistan. The adopted presidential decree provides for the latest views on the transition to IFRS for business entities. In this regard, a list of persons has been determined who will compulsorily draw up financial statements in accordance with IFRS at the end of 2021. It included joint stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers. All these business entities must organize accounting and reporting in accordance with IFRS from January 1, 2021; and also, to ensure the number of employees in accounting services, sufficient for the quality application of international standards. [2].

It is known that the national accounting standard of the Republic of Uzbekistan, NAS No. 1 "Accounting policy and financial reporting" was developed on the basis of the Law of the Republic of Uzbekistan "On accounting" and is an element of the accounting regulation system in the Republic of Uzbekistan. According to paragraph 3 of this standard, "accounting policy is a set of methods used by the head of an economic entity to maintain accounting records and prepare financial statements in accordance with their principles and fundamentals". [1]. Accounting policies are specific principles, conventions, procedures and practices used to prepare the financial statements. Accounting policies are important to the accurate presentation of the financial statements and are the basis for the estimates used in their preparation. The content of accounting policies in the field of enterprise management refers to the process of preparing financial statements based on various classified primary information about the costs associated with the accounting object. Here it is required to establish a regulatory framework for the formation of financial statements of economic entities, to ensure their comparability. Accounting policy is an element of the economic accounting management system. As you know, the definition of accounting policy in a generally recognized accounting normative act emphasizes that accounting policy is understood as a set of methods adopted for accounting and preparation of financial statements, while accounting statements are drawn up in accordance with the rules of these methods. Accounting methods include methods of grouping accounts and assessing the facts of economic activity, payment of the value of assets, organization of workflow, registration of property, methods of using reporting in accounting, a system of accounting registers, information processing and other relevant methods. (Fig. 1).

II. LITERATURE REVIEW

In accordance with international standard (IAS) 1, a complete set of financial statements must consist of: a statement of the current financial position, a statement of cash flows (ODDS), a statement of costs, profit and other joint income and a statement of changes in the company's assets. In addition, the main objective of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is to establish criteria for selecting and regulating the accounting policy of an enterprise, including accounting and disclosure of information about changes in accounting policies, estimates of assets and liabilities and corrected errors. for previous reporting periods. [7]. Thus, this standard is aimed at improving the quality of preparation of the company's financial statements in terms of its information content, relevance, reliability, completeness and compatibility with the statements of other companies.

Figure 1. Requirements for accounting policies under IFRS 8

In this regard, IAS No. 8 determines the procedure for selecting and applying accounting policies, accounting for changes in accounting estimates and correcting errors from past reporting periods. According to paragraph 5 of IAS 8, accounting policies cover the specific principles, frameworks, generally accepted terms, rules and practices applied by the company in preparing and presenting corporate financial statements.[6]

The financial statements contain the necessary information to help users determine cash flow prospects, in particular, the timing and likelihood of cash and cash equivalents, and they are based on the following principles: double entry of accounting; duration; monetary value of business transactions, assets and liabilities; reliability; prudence; superiority of content over form; comparability of indicators; impartiality of financial statements; fair value of assets and liabilities; compatibility of income and expenses for the reporting period; comprehensibility; significance; importance; correct and true imagination; completeness; sequence; modernity; offset (mutual accounting of substances); confidentiality.

In accordance with the accounting principle, assets, liabilities, capital, income, expenses, transactions and events are recorded in the accounting records at the time of the performance (or actual receipt) of these actions, and not at the time of receipt or payment of cash or cash equivalents. actions. Financial statements prepared on an accrual basis provide users with information not only about past payments or withdrawals, but also about future liabilities, which are necessary in making relevant economic decisions. The double entry system is that the transaction amount is reflected in two accounts of the account - one for debit and the other for credit. The preparation of financial statements on a going concern basis means that there is no need to constantly move and continue working for a long period of time, that is, to cease operations or reduce the scale of their activities.

III. RESEARCH METHODOLOGY

The principle of continuity also means that the accounting period should be commensurate with the operating period. All business transactions, events, assets and liabilities are measured and valued in the same currency - the sums of the Republic of Uzbekistan, and part of it - tiyin. It is considered reliable if the information is free of material error or bias and the users can rely on it. The credibility of transactions or events is usually confirmed by the primary accounting document. The principle of prudence means that the values of assets and income should not be overestimated, and the value of liabilities or expenses should not be diminished in the financial statements. The application of this principle does not lead to the creation of hidden reserves or overestimation of supply, deliberate reduction or overestimation of assets or profits, liabilities and expenses. Content supremacy of content over form means that information that accurately reflects the content of transactions and events is accounted for in the financial statements. Comparing information from different reporting periods ensures that the financial information is useful and meaningful. Users of the report should be aware of the accounting policies used in the preparation of the financial statements, of all changes in accounting policies and the consequences of such changes.

The financial statements disclose all comparative information for the previous period. Comments and descriptive information from the prior period financial statements are also provided for the current reporting period and are updated as necessary to objectively present the current period financial statements. To ensure the reliability of financial statements, the information contained therein must be free from errors. The principle of fair measurement of assets and liabilities implies that their historical cost or purchase price is the basis for measurement. The correspondence of income and expenses in a reporting period means that they reflect the expenses that are the basis for income received during this reporting period. If it is difficult to determine a direct relationship between costs and certain types of income, costs are distributed over several reporting periods in accordance with any distribution system. This also applies to depreciation costs spread over several years.

Special care is taken to ensure that the information presented in the financial statements is understandable and easy for users. The importance of financial information means that users of financial statements leave their needs in the decision-making process and help them evaluate events related to operating, financial and business activities. The information is important if the omission or misstatement of information influences the economic decisions that users make on the basis of the financial statements. The significance depends on the size of the element, which should be taken into account in individual specific comments about its omission. Significance depends on the level of clarity and clarity presented in the financial statements. When rounding information to the nearest thousand or one million, it is permissible to use the degree of accuracy as long as the principle of materiality is not violated.

Financial statements provide users with a fair and impartial view of the financial position, results of operations and cash flows of an enterprise, as well as completeness of information. The ability of users of financial statements to compare their financial statements for different reporting periods to determine the principles of changes in financial position is achieved on an ongoing basis. This will only be useful if information is provided in a timely manner. If the financial statements are not presented within a reasonable period of time after they become available to users, they will be useless. If the report unreasonably withholds information, it may lose its relevance.

IV. ANALYSIS AND RESULTS

The offsetting principle characterizes the impossibility of offsetting between assets and liabilities under conditions other than those permitted. The principle of neutrality presupposes the application of the National Accounting Standard (NAS) and basic accounting principles in accounting and financial reporting. The balance sheet reflects the financial condition at the time of the preparation of the report, which makes it possible to understand its resources and financial condition.

Each enterprise independently determines its accounting policy for agreement with the owner or an authorized body (official) in accordance with the constituent documents. (Fig. 2).

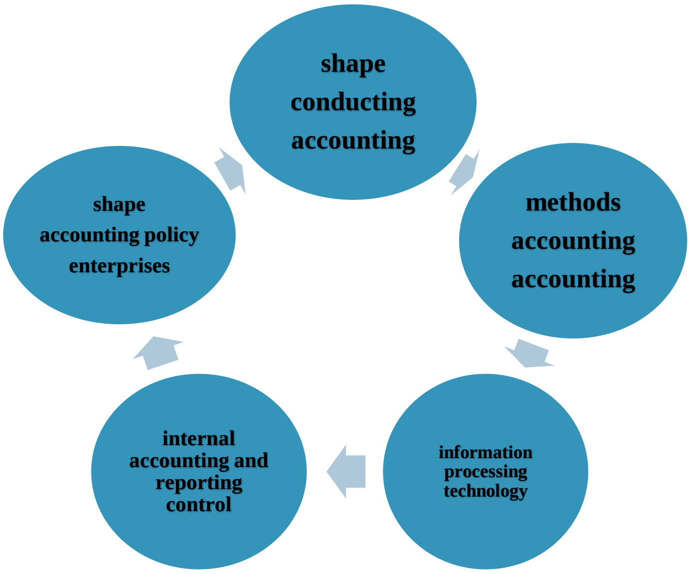

Figure 2. The law of business entities

The entity should highlight the selected accounting policies by describing the following:

- principles for evaluating elements of reporting;
- methods of accounting for individual items of reporting. [3.P.176; 4.P.115.]

The accounting policies of enterprises and organizations prescribe the methods and principles of accounting and estimation, for which several accounting options are possible or in respect of which there is uncertainty. The accounting service (or accountant) is responsible for developing accounting policies that must comply with the rules shown in Figure 3. (Figure 3).

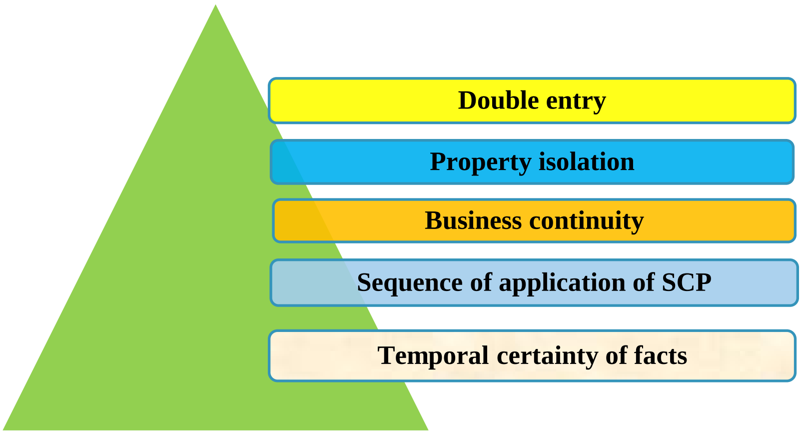

Figure 3. Rules used in the formation of the SCP

The enterprise may involve other specialists to determine individual indicators. For example, to determine the method for assessing the disposal of fixed assets, inventories - financially responsible persons (warehouse managers, storekeepers). (Fig. 4). Some elements of accounting policies can be established by the constituent documents, for example, the need to maintain a separate balance sheet for branches. [5. P. 23].

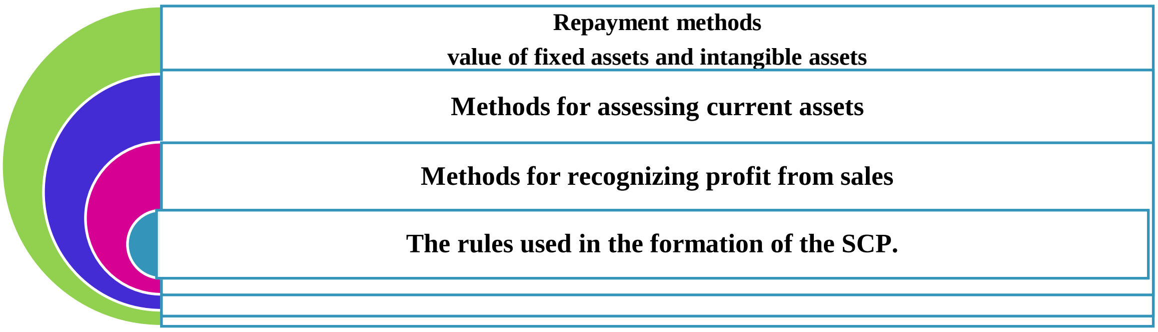

Figure 4. Methods of accounting to be disclosed in the SCP

The accounting policy established by the company is applied in all branches, representative offices, divisions and other separate divisions, regardless of their location. The Ministry of Finance of the Republic of Uzbekistan is developing methodological guidelines that can be used by enterprises, organizations and other legal entities, regardless of the organizational and legal forms of ownership and business (except for banks, budgetary institutions and enterprises that, in accordance with the law, apply international financial reporting standards).

According to the rule of agreement, applied in accounting and financial reporting, it is provided for the constant (from year to year) application of the selected accounting policy by the enterprise. That is, according to the general principle, the accounting policy of an economic entity does not change.

It is allowed to change the accounting policy only in the following cases, such as if the changes are required by legislation, the authorities approving the rules (standards) of accounting, or if these changes guarantee reliable information when the episodes or transactions are reflected in the corporate reporting of the enterprise.

From the moment of the emergence of enterprises, the accounting policies of enterprises are created and applied to events arising from transactions in the financial and economic activities of enterprises. Since it is impossible to determine a reliable amount of adjustment, the type of elimination is retained earnings at the beginning of the reporting year. The accounting policy applies only to events and transactions that have occurred after the date of its change. There are two approaches to changes in accounting policies.

The first approach is to apply the new accounting policy to transactions, other occurrences and conditions retrospectively. This means that when an entity applies a new accounting policy retrospectively, it applies it to comparative information for prior periods as many periods ago as is practicable.

The second approach involves applying the change in accounting policy to the new accounting policy for transactions (other than events and conditions) entered into after the date of the change.

In this table 1. we can see an abbreviated form of accounting policy of JSC Toshkentdonmahsulotlari (table 1). This accounting policy covers accounting methods (accounting principles), which are important for the preparation of financial statements of Toshkentdonmahsulotlari JSC, and sets out the basic accounting principles. for all his activities.

The financial statements prepared in the reporting year are based on these accounting principles (accounting policies) and are governed by the provisions of IAS 1 Presentation of Financial Statements.

The purpose of adopting this accounting policy is to form an accounting system for the Company as a whole, which must provide reliable information on the financial position, performance and changes in the financial position of the Company, as well as comply with international financial reporting standards. The main purpose of applying the principles of unified accounting is to achieve uniformity in accounting for transactions in order to prepare financial statements in the company in accordance with IFRS.

Table 1: Approved accounting policy of JSC "Toshkentdonmahsulotlari" for 2020.

Approved Accounting Policy of JSC "Toshkentdonmakhsulotlari	1.	A working chart of accounts of accounting, containing synthetic and analytical accounts, necessary for accounting in accordance with the requirements of the timeliness and completeness of accounting and reporting.
	2.	Forms of primary accounting documents used for registration of business transactions for which standard forms of primary accounting documents are not provided, as well as forms of documents for internal financial reporting.

	3.	The procedure for conducting an inventory and methods for assessing types of property and liabilities.
	4.	Document flow rules and accounting information processing technology.
	5.	The order of control over business operations.
	6.	Other solutions required for the organization of accounting.

In the event of a change in accounting policy, Toshkentdonmahsulotlari discloses in the notes to the financial statements:

- the nature of the error of the previous period, the reasons for the change;
- the amount of adjustments to retained earnings at the beginning of the reporting year or justification for the impossibility of its reliable determination;
- the fact of repeated presentation of comparable information in the financial statements or the inexpediency of its recalculation;
- the reasons why the application of the new accounting policy provides reliable and more relevant information;
- the amount of the adjustment for the current period and for each period presented to the extent practicable;
- the amount of the adjustment relating to periods prior to those presented, to the extent practicable;

If retrospective application is impracticable for a particular prior period or periods preceding those presented, then the circumstances that led to the condition and a description of how and from when the change in accounting policy was applied.

V. CONCLUSION AND SUGGESTIONS

When approving an order on accounting policy, considerable attention is paid to material information, the absence of which may affect the decision of users of financial statements. Quantitative criteria and qualitative signs of materiality of information on business transactions, events and articles of financial statements are determined by the management of JSC "Toshkentdonmahsulotlari", if such criteria are not established by the provisions (standards) of accounting, other regulatory legal acts, based on the needs of users of such information.

It is advisable to set quantitative criteria for the materiality of information on business transactions and events for the selected base up to 2% if the base is the net profit (loss) of the enterprise, or up to 0.2% if the base is the sum of income and expenses. The specific size of the quantitative criterion is approved by the order of the management of JSC "Toshkentdonmahsulotlari".

When forming the accounting policy of enterprises, it is of great importance to regulate information on the technical condition and safe operation of all objects. This is carried out in accordance with the Constitution and laws of the Republic of Uzbekistan, decrees and other documents of the Oliy Majlis of the Republic of Uzbekistan, decrees, decrees and orders of the President of the Republic of Uzbekistan, decrees and orders of the Cabinet of Ministers. Ministries of industries, international and national accounting standards. The accounting policy in the company is carried out in cooperation with government agencies and other organizations. Logistics, salaries of system employees, etc. It is carried out at the expense of the company's own and borrowed funds.

Reasonable formation of accounting policies in enterprises will make it possible to prepare recommendations for the safe operation of financial and non-financial resources. Based on this, we can conclude that accounting policy is a key factor in ensuring the financial and economic security of an enterprise for the preparation and presentation of financial statements.

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