THE IMPORTANCE OF IMPROVING THE CLASSIFICATION AND DESCRIPTION OF ACCOUNTING OBJECTS IN THE FINANCIAL ACTIVITIES OF ENTERPRISES

Umarova Shakhnoza
Assistant-teacher, Samarkand Branch of «International School of Finance Technology and Science», Department of "International Financial Management"
ORCID: 0000-0002-0624-2380
Email: shahnozaumarova09051995@gmail.com

Abstract. *The article examines the increasing interest of enterprises in engaging in financial activities and, consequently, the necessity of improving the classification and description of accounting objects involved in financial activities. Based on the research, conclusions and recommendations are provided.*

Keywords: *financial activity, dividend, royalty, interest, exchange rates, rent, income, cost, profit, securities.*

Introduction. The stable and balanced development of the economy, as well as the improvement of the population's living standards and well-being, largely depend on the development of entrepreneurial economic thinking and skills. In this regard, President Sh. Mirziyoyev emphasized in his Address to the Oliy Majlis: "Indeed, we can achieve progress and a prosperous life only through active entrepreneurship, tireless work, and aspiration." This highlights the need to promote entrepreneurial activities widely among the population and fully utilize the opportunities available to every citizen in this sphere. As a result of recent reforms, enterprises today are increasingly engaging in financial activities alongside their core operations, with many paying special attention to financial activities due to the potential to generate higher income with lower costs.

Financial activity refers to the initiatives and operations carried out by enterprises, governments, and individuals to achieve their economic goals. If a company issues shares or takes loans, it is engaged in financial activities. The cash flow from financial activities indicates the stability and sustainability of a business. Moreover, financial activities involve operations related to the acquisition or repayment of resources between the enterprise, its creditors, and its owners. In other words, financial activity can be described as financing the company, repaying debts to creditors, and distributing investment income (dividends) to shareholders.

Literature Review

The financial activities of enterprises have been studied by scholars from the USA, UK, Russia, and other countries, including R. Libby, R.H. Hermanson, B. Needles, Ya.V. Sokolov, V.F. Paliy, O.V. Anfinogenov, and Yu.V. Babaev, who explored the conceptual foundations of financial activity accounting, as well as methodological issues related to the recognition, valuation, and reporting of financial assets in financial statements.

In Uzbekistan, significant contributions to improving the accounting of enterprises' financial activities have been made by scholars such as N.B. Abdusalomova, A.Z. Avlokulov, R.D. Dusmuratov, A.K. Ibragimov, A.A. Karimov, B.Yu. Maksudov, S.U. Mehmonov, M.K. Pardaev, A.Kh. Pardaev, M.Yu. Rahimov, A.J. Tuychiev, K.B. Urazov, B.K. Hamdamov, and K.R. Hotamov.

Research Methodology.

The methodological foundation of the article is based on the laws of the Republic of Uzbekistan, presidential decrees, resolutions, speeches, decisions of the Cabinet of Ministers, national and international accounting standards, regulations, guidelines, scientific works published in Uzbekistan and abroad, textbooks, manuals, scientific articles, online resources, and practical materials from the enterprises studied. The article employs methods such as analysis and synthesis, induction and deduction, evaluation, documentation, grouping, comparative literature analysis, and other approaches.

Analysis and Results

During the research, the primary goal was to answer the question: "What constitutes financial activity?"

Capital for a business can come from equity or debt. When a business incurs debt, it does so by obtaining loans from banks or issuing bonds, paying interest to creditors and bondholders for the use of their funds. If a business opts for equity financing, it issues shares to investors who purchase a stake in the company. These activities are used to support the business's operations and strategic initiatives.

Financial activity is the activity of an economic entity that results in changes in the amount and composition of its equity and borrowed funds. According to the National Accounting Standard No. 21 of the Republic of Uzbekistan. Thus, the accounting objects of financial activities are the income and expenses derived from these activities. An analysis of the definitions provided for each accounting object related to financial activities reveals the following:

Firstly, according to Article 44 of the Tax Code of the Republic of Uzbekistan, royalties are defined as payments for the use or the right to use any intangible assets, including:

Copyrights for works of art, literature, science, including software and databases, drawings, designs, models, plans, secret formulas, technologies, or processes, audiovisual works, and related rights, including performances and phonograms;
Patents, trademarks, trade brands, or other similar rights;
Information related to industrial, commercial, or scientific expertise (know-how).
According to National Accounting Standard No. 2, "Income from Core Business Activities," paragraph 9, royalties are recognized as payments for the use of the organization's long-term assets (e.g., patents, trademarks, copyrights, and software), generating income from the use of the organization's assets by other entities.
The Uzbekistan National Encyclopedia defines royalties as:
Periodic deductions from profits received for the use of goods, inventions, patents, know-how, film rentals, etc., under a license agreement;
Rent payments for the right to explore and extract natural resources.

One of the main sources of income from enterprises' financial activities is dividends. The definitions of dividends in regulatory-legal acts were also examined. According to Article 41 of the Tax Code of the Republic of Uzbekistan, dividends are recognized as:

Any income received by a shareholder (participant) of a legal entity from the distribution of the entity's profits (including in the form of interest on preferred shares) based on their shares;

Payments in cash or in kind to a shareholder (participant) during liquidation, exceeding the amount of their share in the legal entity's charter capital;

Payments to a participant exiting or expelled from a company, not exceeding the real value of their share in the charter capital as determined by the company's accounting records for the last reporting period before the exit date;

Income received by a shareholder (participant) in the form of additional shares or an increase in the nominal value of their share due to an increase in the legal entity's charter capital at the expense of its own capital (assets).

The Uzbekistan National Encyclopedia defines dividends as: "The portion of a joint-stock company's profit distributed annually to shareholders, becoming their income. The amount of dividends depends on the company's net profit, the number of shares, and their value. Dividends are distributed based on the number and type of shares held by shareholders after taxes, allocations for production development, reserve replenishment, bond interest payments, and directors' bonuses are deducted. The distributed portion is called the dividend mass, and the income expressed as a percentage of the nominal value of shares is called the dividend rate. The amount of dividends for ordinary shares depends on the company's profit for the year, while for preferred shares, a fixed percentage of the nominal value is predetermined. In cases of high dividends, a portion may be paid to shareholders in the form of additional free

shares. Shareholders and corporations holding the majority of shares receive the largest share of dividends."

The financial literacy information-educational website of the Central Bank of the Republic of Uzbekistan defines dividends as: "The portion of a company's profit paid to its shareholders. They are funds distributed among shareholders based on their stake in the company's capital. Dividends are a way to reward investors for investing in the company's shares."

The concept of income in the form of interest has also been defined in various ways. According to Article 41 of the Tax Code, "Any previously declared (established) income, including income received in the form of discounts on any debt obligations (regardless of the method of formalization), including income from monetary deposits, is recognized as interest."

National Accounting Standard No. 2, "Income from Core Business Activities," Chapter 1, General Provisions, states: "Interest is recognized as income in the form of payments for the use of the organization's cash or cash equivalents or amounts owed to the organization by other entities." Additionally, Chapter 2, "Income from Core Business Activities," notes: "The difference between the nominal value of a payment and its value at current prices is recognized as income from interest."

Article 320 of the Tax Code, titled "Specific Features of Taxation of Exchange Rate Differences," defines positive and negative exchange rate differences as follows: A positive exchange rate difference is recognized when revaluing property in the form of currency values (excluding securities denominated in foreign currency) and claims denominated in foreign currency or reducing the value of obligations denominated in foreign currency.

A negative exchange rate difference is recognized when reducing the value of property in the form of currency values (excluding securities denominated in foreign currency) and claims denominated in foreign currency or revaluing obligations denominated in foreign currency.

Such revaluation or reduction occurs due to changes in the official exchange rate of foreign currency relative to the national currency of Uzbekistan, as set by the Central Bank, or changes in the exchange rate of foreign currency (or conditional monetary units) relative to the national currency as established by legislation or agreement between parties.

Positive exchange rate differences are included in total income, while negative exchange rate differences are included in expenses. Exchange rate differences arising from the revaluation of received (issued) advances are not considered for tax purposes. National Accounting Standard No. 22, "Accounting for Assets and Liabilities Denominated in Foreign Currency," paragraph 4, outlines the accounting for exchange rate differences. Economic entities must revalue currency items on the balance sheet at

the Central Bank's exchange rate as of the last date of the reporting month and the date of economic transactions. The following are included in the currency items for revaluation and exchange rate difference determination:
a) Currency funds in cash and bank accounts;
b) Receivables and payables, loans, borrowings, cash equivalents, and other assets and liabilities denominated in foreign currency.
The following are not subject to revaluation:
a) Fixed assets, intangible assets, equipment to be installed, capital investments, and inventories purchased in foreign currency;
b) The amount of charter capital and the proportion of shares of founders (participants) in enterprises, including those with foreign investment;
c) Investments in charter capital and shares.
Exchange rate differences are directly charged to the financial results of the economic entity (hereinafter referred to as the direct write-off method). Since January 1, 2019, the accumulation method has been discontinued. Positive (negative) exchange rate differences charged to the financial results are accounted for as part of the income (expenses) of financial activities.

Another significant component of income from enterprises' financial activities is income from financial leasing. According to National Accounting Standard No. 6, "Lease Accounting," financial leasing is defined as: "Lease relationships arising from the transfer of the right to possess and use property (the financial lease object) for a period exceeding twelve months under a contract. The financial lease contract must meet one of the following conditions:

Upon termination of the financial lease contract, the leased object becomes the property of the lessee;

The term of the financial lease contract exceeds 80% of the leased object's service life, or the residual value of the leased object after the contract's termination is less than 20% of its initial value;

Upon termination of the financial lease contract, the lessee has the right to purchase the leased object at a price significantly lower than its market value on the sale date, with reasonable assurance at the start of the lease term that this right will be exercised;
The discounted present value of lease payments for the duration of the financial lease contract exceeds 90% of the leased object's current value at the time of leasing."

Conclusions and Recommendations

Based on the study of accounting objects in enterprises' financial activities, the following conclusions and recommendations can be made:
The definitions of accounting objects in financial activities provided in various regulatory-legal acts are inconsistent or incomplete. For example, royalties are

considered income from the lease of any intangible assets in the Tax Code, while National Accounting Standard No. 2 defines them as income from the lease of long-term assets.

The definitions of accounting objects in financial activities have not been enriched with terms used in modern economics, such as cryptocurrencies in the context of exchange rate profits or losses or new types of securities in operations related to profits or losses.

Based on the studied definitions, we propose defining dividends as: "The amount payable to shareholders in proportion to their shares from the enterprise's profit."

Based on the analyzed definitions, we propose defining royalties as: "The amount received by the owner of intangible assets, intellectual property, or natural resources for granting the right to use them."

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