THE IMPACT OF ACCOUNTING POLICIES ON THE FINANCIAL CONDITION OF THE ENTERPRISE

https://doi.org/10.5281/zenodo.10116271

Djambakieva Gulnora Sayfutdinovna
Acting Associate Professor
of the Department of Banking and Accounting
Kimyo International University in Tashkent

Annotation: *This article discusses the role of an organization's accounting policy. The advantages of a well-drafted accounting policy are identified. An organization's accounting policy is a real tool for finding the optimal option for reflecting factors of economic activity in the accounting system. We have outlined the importance of forming an organization's accounting policy to reflect reliable reporting. If we consider the accounting of all aspects of the organization's activities, then everything depends on changing economic conditions and changes in legislation. The various goals pursued by the organization during its formation were identified. The task of forming and complying with accounting policies for specific companies was substantiated, taking into account their specifics.*

Key words: *accounting policies, accounting reports, financial performance, financial result, IFRS - International Financial Reporting Standards, NAS – National Accounting Standards, VAT* - Value Added Tax

A huge number of companies in the Republic of Uzbekistan in one industry or another feel the need to prepare reports, taking into account not only national accounting principles but also international ones. Without proper accounting, it is not possible to obtain complete and reliable information about business processes and financial results.

Consider, for example, energy sales companies; they have very specific features for maintaining organizational records.

Energy sales companies are organizations whose main activity is the sale of electrical and thermal energy to others, namely the conclusion of an agreement on the organization of interaction with network companies.

Features of accounting in the energy sector according to the State Accounting Standards of the Republic of Uzbekistan are manifested not only in the specifics of reporting but also in the organization of the work of the accounting service. The tasks and functions of accounting personnel are determined by the conditions of self-financing of energy enterprises, i.e. formation of the authorized capital, the main financial result of the activity, i.e. arrived. In financial and economic management, especially in the energy sector, specialists keep records of all material costs, such as inventories, production and sales of energy and other types of products, fixed assets, intangible assets, funds received from consumers and other mutual counterparties, wages, settlements with suppliers and contractors. The main purpose of accounting for the sale of electrical energy from enterprises of territorial electric networks is to obtain reliable information on the transmission, distribution, and consumption of electrical energy for the implementation of full and timely mutual settlements for the supplied electrical energy.

In Uzbekistan, the term “accounting policy of an enterprise” was first established in 1998 in the National Accounting Standard No. 1 “Accounting Policy and Financial Reporting” on August 26, 1998. No. 17-17/86.

An accounting policy is a set of rules adopted by the management of a business entity for the correct maintenance of accounting records and preparation of financial statements. All business entities should have an accounting policy, regardless of their form of ownership.

The main document that establishes and regulates the rules for the formation and compilation of accounting policy is the National Accounting Standard No. 1 "Accounting Policy and Financial Reporting".

But when developing accounting policies, it is always necessary to take into account other accounting standards.

The accounting policy provides complete information:

about all accounts that the organization uses to keep records of financial and economic transactions;

about accounting registers; about criteria of recognition of assets; about methods of assessment of assets and accrual of depreciation on them;

about the document management system; inventory, etc.

The accounting policy is formed by the management of the enterprise. After acceptance, it is approved by the relevant order or order.

In accordance with paragraph 51 of this standard: "Accounting policy expresses specific principles, conventions, rules and practical approaches used by an economic entity for the preparation and preparation of financial statements."

The role of accounting policy in the organization of the entire accounting process is huge.

The current legislation in some cases allows the choice of one of several ways of organizing accounting.

The methods of accounting include methods of grouping and evaluating the facts of economic activity, repayment of the value of assets, organization of document flow, inventory, method of application of accounting accounts, accounting register systems, information processing, and other appropriate methods and techniques.

The accounting policy should ensure:

- completeness of accounting of all factors of economic activity (completeness requirement);

- timely reflection of the facts of economic activity (the requirement of timeliness);

- greater willingness to recognize expenses and liabilities in accounting than possible income and assets, preventing the creation of hidden reserves (the requirement of prudence);

- reflection in the accounting of the factors of economic activity based not so much on their legal form as on the economic content of the facts and conditions of management (the requirement of priority of content over form);

- identity of analytical accounting data to turnover and balances on synthetic accounting accounts on the last calendar day of each month (consistency requirement);

- rational accounting, based on the conditions of economic activity and the size of the organization (the requirement of rationality).

The current state of accounting systems requires answers to the problems of global transformations that extend to all spheres of public life, affect new economic processes and the further functioning of existing systems, and the development of measures to adapt domestic accounting to international requirements and norms. Accordingly, these problems arising in the process of globalization of the economic sphere are the reason for increasing the requirements for the quality of accounting information that reflects the state of the economy and the financial results of the enterprise. The main source of information on the results of activities and for the needs of management is reporting, and the internal administrative document for its formation is the accounting policy.

With the transition to International Financial Reporting Standards (IFRS), the accounting system in the Republic of Uzbekistan is not strictly regulated by regulatory acts. Enterprises are given the freedom to choose alternative accounting options, taking into account the specifics of their activities, within the framework of International Accounting Standards.

Currently, there are instructions, orders, rules, and laws on accounting, which contain a number of assumptions governing the right of an organization to choose one, two, or more accounting options, excluding each of them.

The accounting policy of an organization is an important tool for its economic activity. The Company has reasonable and legitimate freedom to choose alternative accounting policies. The choice of alternatives defining the accounting system is ensured by the formation of each company's own accounting policy.

Practice shows that in many organizations the importance of accounting policy is clearly underestimated. Its development is carried out formally, without taking into account the possible consequences of the use of its individual elements.

Meanwhile, the role of accounting policy in the formation of financial indicators of the organization is obvious: it has a great impact on income and expenses, financial results, taxes, and financial condition.

Before talking about the methodological support of the accounting process in energy marketing organizations, it is necessary to define the concept of electric energy as an integral part of the main activity of the company. In order to clearly define the electrical energy in the system under consideration, let us turn to the current legislation regulating accounting, civil law transactions, and regulations on the functioning of the energy industry.

First of all, it should be noted that from the point of view of the current legislation, not only ordinary things and material means of production but also various types of energy are traditionally recognized as goods.

According to clause 6 of Article 386 of the Civil Code of the Republic of Uzbekistan, energy supply is classified as a separate type of purchase and sale agreement.

Paragraph 1 of the above-mentioned article contains the following: "Under the contract of sale, one party (seller) undertakes to transfer the thing (goods) to the ownership of the other party (buyer), and the buyer undertakes to accept this product and pay a certain amount of money (price) for it" [1]. This indirectly indicates the legislator's perception of electricity as a commodity.

In addition to the Civil Code of the Republic of Uzbekistan, the economic content of the concept of "electric energy" is also disclosed in the Law of the Republic of Uzbekistan "On Electric Power Industry" [2]. In this document, electric energy clearly refers to a "special product".

Thus, it can be concluded that electricity is a specific object of accounting for companies in the energy sector that do not have a material basis but meet all the criteria of the product. In particular, for power supply companies, the nature of electricity as a commodity is confirmed by the fact that any power supply company in the course of its normal activities acquires electricity in the wholesale and retail electricity markets for subsequent resale.

In this respect, the sale of electricity is no different from the sale of goods with a material structure, not only for accounting purposes but also for tax purposes. For accounting purposes, electricity is recorded according to the same rules as other goods, using the rules for accounting for goods, in particular the National Accounting Standard No. 4 "Inventory Accounting"[3]. The sale of electricity is subject to VAT in accordance with the generally established procedure, and income from the sale of electricity is included in the tax base when calculating income tax on a general basis.

The sale of electricity in an energy marketing organization begins with the mandatory conclusion of an appropriate contract with buyers, most often an energy supply contract. According to article 468 of the Civil Code of the Republic of Uzbekistan, "under the energy supply contract, the energy supply organization undertakes to supply energy to the subscriber (consumer) through the connected network, and the subscriber undertakes to pay for the received energy, as well as to comply with the regime of its consumption stipulated in the contract, to ensure the safety of operation of the energy networks under its jurisdiction and the serviceability of the devices and equipment used by it related to energy consumption" [1].

This agreement is a kind of purchase and sale agreement, with the difference that it provides, among other things, for the transfer of electric energy to the consumer.

As practice shows, the order of accounting for income and expenses, organization, and maintenance of tax accounting largely depends on how accurately and in detail contracts with consumers are drawn up. As a general rule, in order to recognize revenue from the sale of goods (in particular, electricity) for accounting purposes and to reflect its amount in accounting statements, it is necessary to simultaneously fulfill the conditions provided for in paragraph 12 of the National Accounting Standard No. 2 "Income from core business activities" [3]:

1. The business entity transferred to the buyer a significant part of the risks and benefits from ownership of goods;
2. The business entity does not retain any continuity of leadership to the extent that is usually associated with ownership, nor effective control over the goods sold;
3. The amount of income can be estimated with a greater degree of reliability;
4. The probability of an economic entity receiving economic benefits associated with the transaction;
5. The accepted or expected costs associated with the transaction can be accurately measured with a greater degree of confidence.

Accounting of income from the sale of electricity and the provision of services should be conducted by type of activity. At the same time, the company includes income from the following types of activities as part of its core business income:

-sale of electricity on the wholesale market;

-sale of electricity on the wholesale market;

-sale of electricity to consumers, including the population and equivalent categories of the population, in the retail market;

-sale of electricity to grid organizations to compensate for technical losses of electricity in networks owned by grid organizations.

Accounting for the sale of electricity, as a rule, is conducted under account 9020 "Income from the sale of goods", which can be used by energy marketing companies as follows.

Energy marketing companies can open sub-accounts similar to those recommended by the Ministry of Finance of the Republic of Uzbekistan in the Accounting Plan [4].

For the purpose of separate reflection on the accounts of sales transactions in the context of the main activities (namely, the sale of energy in the wholesale and retail electricity markets), it is advisable to provide appropriate analytical accounts in the context of consumers - legal entities and personal accounts of individuals, including preferential categories of consumers, at their location.

When offsetting the amount of previously received advance payments in the final calculation for the electric energy sold during the reporting period:

debit of account 6310 “Advances received from buyers and customers”;

credit to account 4010 “Accounts receivable from buyers and customers”.

12. Accounting for the sale of electrical energy to consumers - legal entities on the basis of calculation based on the contractual value, as well as subsequent recalculation for actually consumed electrical energy to consumers - legal entities is carried out as follows:

a) when accruing revenue from the sale of electrical energy to consumers - legal entities according to the contractual estimated value of electrical energy consumption in the manner established by law:

debit of account 4010 “Accounts receivable from buyers and customers”;

credit to account 9020 "Revenue from the sale of goods" - for the amount of revenue from the sale of electrical energy to legal entities according to the contractual calculated amount, which is accrued on the basis of an electricity supply agreement between the enterprises of territorial electric networks and the consumer - a legal entity, developed by the State Joint Stock Company "Uzbekenergo" in accordance with the legislation and approved by the State inspection "Uzgosenergonadzor";

credit to account 6410 “Debt of payments to the budget (by type)” - for the amount of VAT accrued on the volume of electrical energy sold to consumers - legal entities, according to the calculation of the contractual amount of electrical energy;

b) reflection of the cost of electricity sold to consumers - legal entities:

debit account 9120 “Cost of goods sold”;

credit to account 2990 "Other goods" - with the allocation of the account "Electric energy" - for the amount of cost (purchase value) of sold electrical energy to consumers - legal entities, calculated on the basis of the sold volume (quantity) according to the contractual estimated value of electrical energy consumption in the manner established legislation, and the cost of purchasing electrical energy;

c) when offsetting the amount of previously received advance payments when recognizing revenue from sales according to the contractual estimated value of electricity consumption during the reporting period for each consumer-legal entity:

debit of account 6310 “Advances received from buyers and customers”;

credit to account 4010 “Accounts receivable from buyers and customers”;

d) upon subsequent recalculation for actually consumed electrical energy by consumers - legal entities:

by the amount of excess of the cost of actual consumption by consumers - legal entities of electrical energy, according to the readings of calculated metering devices, over the amount of recognized sales revenue according to the contractual estimated value (positive difference):

debit of account 4010 “Accounts receivable from buyers and customers”;

credit to account 9020 “Income from sales of goods”;

credit to account 6410 “Debt of payments to the budget (by type)” - for the amount of VAT accrued from the amount of the positive difference;

reflection of the cost price of the volume of the positive difference:

debit account 9120 “Cost of goods sold”;

credit to account 2990 "Other goods" - with the allocation of the account "Electric energy" - for the amount of the cost of the volume of the positive difference, calculated based on the volume (quantity) of the positive difference and the cost of purchasing electrical energy during the recalculation period;

when offsetting the remaining amount of previously received advance payments by the amount of the positive difference in electrical energy consumption:

debit of account 6310 “Advances received from buyers and customers”;

credit to account 4010 “Accounts receivable from buyers and customers”;

by the amount of excess of recognized sales revenue at the contractual estimated value over the cost of actual consumption by a consumer - a legal entity of electrical energy, according to the readings of calculated metering devices (negative difference):

debit account 9020 "Income from sales of goods";

debit account 6410 “Payments to the budget (by type)” - for the amount of VAT accrued from the volume of the negative difference;

credit to account 4010 “Accounts receivable from buyers and customers”;

reflection of the adjustment to the cost of the volume of the negative difference:

debit account 2990 "Other goods" - highlighting the account "Electric energy" - for the amount of the cost of the volume of the negative difference, calculated based on the volume (quantity) of the negative difference and the cost of purchasing electrical energy during the recalculation period;

credit to account 9120 “Cost of goods sold”;

If there is no debt of the consumer-legal entity for consumed electrical energy, based on the contractual estimated value, or if there is a debt of the PTES to the legal entity for advance payments received previously, the following accounting entry is made for the amount of the negative difference:

debit of account 4010 “Accounts receivable from buyers and customers”;

credit to account 6310 “Advances received from buyers and customers”

Because the main activity of the organization is the sale (sale) of electrical energy on the wholesale and retail markets of energy (power) to consumers (including citizens), a significant share of the company’s assets is accounts receivable, and accordingly, the greatest labor intensity in the accounting process represent transactions for accounting of settlements with the organization's debtors.

Accounts receivable from customers in an energy sales organization are taken into account in the amount of invoices submitted for payment at reasonable prices and tariffs. The debt of buyers and customers is determined based on prices determined by the norms of the current legislation in the field of pricing in the electric power industry. Settlements with other debtors and claims are reflected in accounting and reporting based on the prices stipulated in the contracts.

Currently, there is a tendency towards an increase in the amount of receivables in the retail electricity market, while the debt of energy sales companies to the wholesale market remains practically unchanged.

Accounts receivable are present on the balance sheet of the vast majority of business entities. This fact is not negative in the financial activities of organizations, but only indicates the provision of deferred payment to customers and expanded opportunities for selling products or services. A more detailed study of the dynamics of accounts receivable and its share in assets, as well as a comparison of its growth rate with the growth rate of revenue, provides a more accurate analysis of the main trends in changes in this element of current assets. All these issues are resolved as part of the implementation of the accounts receivable management policy.

Accounts receivable management is a system of processes and activities aimed at determining the optimal amount and ensuring the return of customer debt for goods, work, and services within the time limits established in contracts.

A large share of receivables can significantly reduce the liquidity and financial stability of an enterprise, as well as seriously reduce the efficiency of its financial and economic activities.

Considering the specifics of the company's work, for its sustainable development it is necessary to pursue an active policy to reduce accounts receivable.

Among the main measures to eliminate accounts receivable are:

- A strict policy of debt collection from consumers, up to and including preventing delivery if there is a fact of unpaid electricity.
- Continuous inventory of the status of settlements with debtors.
- Carrying out promotions and events for bona fide clients.
- Improving automated systems for obtaining information about debt, both for consumers and for the organization itself.
- Constant work with defaulters, individual approach.
- Cooperation with authorities regarding clients using social benefits.

It is worth noting that for competent management of receivables, all employees of the company must be interested, therefore, when developing mechanisms for reducing receivables, it is necessary to involve the entire organization and not specific departments.

Table—Measures to improve accounting at «XXX Energo»

Lack of accounting	Improvement measures	Result
The accounting policy provides for the formation of a reserve for doubtful debts, while accounts receivable are growing at a	Provide in the accounting policy order for the formation of a reserve for doubtful debts	Ensures the reliability of financial statements and reduces commercial risk

high rate, while at the same time the accounting department does not actually create a reserve		
An inventory of all accounting objects is carried out once a year. The accounting policy order does not indicate the timing of the inventory	Develop and approve an inventory program, formalize it as an annex to the organization's accounting policies. Provide for the timing of inventory of cash in the cash register on a monthly basis, settlements - once a quarter	Compliance with the requirements of National Accounting Standards No. 1
Accounting does not use the “Goods shipped” account	Add to the working chart of accounts account 2921 "Goods shipped", intended to summarize information about the availability and movement of shipped products, the proceeds from the sale of which cannot be recognized in accounting for a certain time	Improving the quality and reliability of accounting

Thus, at «XXX Energo», the development of a competent policy regarding this problem will help to significantly increase the efficiency of accounts receivable management.

The current IFRS system allows companies to prepare financial statements for their own needs in a variety of ways, most suitable for internal management purposes. When financial statements are prepared for external users, they must comply with all requirements of IFRS and the interpretations of the Standing Interpretations Committee. In the absence of specific requirements, management develops accounting policies that it believes provide the most useful information to users of the financial statements.

The accounting policy of an organization, developed by each organization independently and approved by management, is a document containing a set of specific principles, basic conditions, and rules adopted by the organization for the preparation and presentation of financial statements. The main purpose of developing these rules and principles is to ensure the reliability of information about the results of operations and the financial position of the organization, characterized by the completeness of the reporting of all significant indicators, events, and transactions, the presentation of significant information to the user, compliance with the principle of neutrality and prudence when drawing up individual reporting forms. Below are some characteristics of accounting standards.

Therefore, the development of accounting policies that meet the needs of management is possible only in accordance with accounting standards and other regulatory legal acts in the field of accounting and financial reporting.

LIST OF LITERATURE:

1. Civil Code of the Republic of Uzbekistan dated 30.08.1997 N 485-I
2. The Law of the Republic of Uzbekistan "On Electric Power Industry" dated 30.09.2009 No. ZRU-225
3. NAS No. 2 "Income from basic economic Activity" dated 20.08.1998 No. 41
4. NAS No. 21 "Chart of accounts of accounting of financial and economic activities of economic entities and instructions for its application" dated 9.09.2002 No. 103
5. The Law of the Republic of Uzbekistan “On Accounting” dated April 13, 2016 No ZRU-404