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## FEATURES OF APPLICATION OF INTERNATIONAL STANDARDS OF FINANCIAL REPORTING IN ELECTRICAL POWER NETWORKS ENTERPRISES

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### Abstract

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#### Keywords:

*international standards of financial reporting, accounting transfer, statement, value added tax, electricity, purchase operation.*

*This article talks about the accounting procedure and its specific features based on the international standards of the financial reporting on the supply of electricity by enterprises considered as the main suppliers of electricity in Uzbekistan. In Uzbekistan, the enterprises of the joint-stock company "Uzbekistan National Electric Networks" and the joint-stock company "Uzbekistan National Electric Networks" are designated as suppliers of electricity to final consumers. The article also reveals the procedure for drawing up reports of regional power grid enterprises and national power grid enterprises based on international standards of financial reporting, and provides conclusions and suggestions.*

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### INTRODUCTION

Pursuant to the Resolution of the President of the Republic of Uzbekistan dated 24.02.2020 No. PQ-4611 "On additional measures for the transition to international standards of financial reporting", from January 1, 2021, legal entities included in the category of joint-stock companies, commercial banks, insurance organizations and large tax payers, It organizes accounting on the basis of the MFRS, and from the end of 2021, it is decided to prepare the financial report on the basis of the MFRS. In accordance with this, all electricity supply entities in our country are preparing financial statements based on MHXS from the end of 2021. However, when we got acquainted with the work of preparing the financial report in 2021 on the basis of MHXS, we witnessed the existence of several inconsistencies in energy supply entities. Based on this, in this part of my scientific research, we would like to present our comments on these inconsistencies and the application of the MHXS, which needs to be improved.

As in the whole world, the demand for electricity in our country is growing year by year. By the end of 2020, the growth of Uzbekistan's gross domestic product (GDP) was 1.6 percent, and in 2021, this indicator was 6.2 percent [1]. Total industrial production is

the main factor of growth of physical volume, manufacturing (processing) industry - 4.6%, water supply, sewage system, waste collection and disposal - 1.0% and electricity, gas, steam supply and air conditioning - 10.1% growth was observed. [2]. Electricity production in 2021 increased by only 6.1% compared to the volume of a year ago [3]. Due to the fact that the growth of electricity in our country lags behind the growth of the GDP, electricity is covered in some seasons by purchasing it from neighboring countries and by using energy-saving tools in economic sectors [4].

Currently, the economic entity that supplies electricity to household consumers and industrial enterprises in our country is the joint-stock company "Territorial Electric Networks", which is the Decision of the President of the Republic of Uzbekistan dated March 27, 2019 "On the strategy of further development and reform of the electric power network in the Republic of Uzbekistan" No. PQ-4249 organized on the basis of One of the main goals of the society's activities is to ensure the safe and reliable operation of distribution networks and uninterrupted supply of electricity to consumers [5].

Today, as in all fields, new types of capital equipment are introduced into the activities of energy suppliers, export and import relations are constantly being entered into with bordering neighboring countries, and loans are attracted from international credit lines for the development of the industry. Taking this into account, it is important to effectively set up and further improve accounting in the economic entity that supplies electricity, in particular, accounting for the purchase of energy from producers.

#### **REVIEW OF LITERATURE**

In international practice, several economists have studied the accounting of electricity supply enterprises, in particular, the accounting of purchases in them.

American University of Houston professor Darren Bush writes that there are several features of the electricity supply and sale processes that negate the market laws that explain the behavior of consumers and suppliers of other types of goods in the market. The first reason for this is that it is practically impossible to store electricity in large quantities for a long time. Second, the amount of electricity produced and sold in a certain hour cannot affect the amount of energy required in the next hour, which makes it difficult to constantly ensure that the amount of energy production is consistent with the amount of demand [6].

D.O. Afanasev, E.A. Fedorova and E.V. According to Gilenko, the modern global trend in the regulation of the electricity production and sales market creates many new problems for scientists and practitioners in terms of risk management, modeling and forecasting of electricity prices. The complexity of these tasks is largely related to the specific characteristics of electricity as a commodity, on the other hand, the non-storable nature of electricity, the randomness of the time of energy production and consumption, the uncertainty of the short-term demand price, the average reversion of the price of electricity and various This is due to differences in marginal costs for energy production technologies [7].

Russian economist K.A. Goryaeva said that in the Russian Federation, when supplying electricity to consumers, a significant part of its price is the cost of purchasing electricity from wholesale producers (sellers). In particular, the cost of such purchase and maintenance of electricity makes up 35% of the price charged to consumers [8].

## RESEARCH METHODOLOGY

The main purpose of the study is to study and analyze the reflection of the accounting operations related to the purchase of electricity in the entities that supply electricity in our country, and to develop a scientific and practical proposal and recommendations for improving the accounting of these economic operations in regional power grid enterprises. Comparison, grouping and economic statistical methods were used in the research process. As a result of the research, conclusions were made on the calculation of electricity purchases by regional power grid enterprises, and scientific and practical proposals were developed on the purchase calculation.

## ANALYSIS AND RESULTS

It is necessary to start with the improvement of the accounting policy on the MIS in JSC National Electric Networks of Uzbekistan. The company's accounting policy for MHXS for 2021 was approved by the decision of the Chairman of the Board No. 124 dated April 7, 2021. When studying this accounting policy, we witnessed that the text of international standards of financial reporting was widely used in the preparation of this accounting policy, but it was not mentioned that certain methods of accounting organization were chosen, and based on the special features of the company's activity, the application of MFHSS was not revealed.

In our opinion, in the accounting policy on MIS, it should be mentioned that specific rules of accounting based on MIS should be selected, based on the nature of the society's activity.

It is necessary to get approval of the plan of working accounts, which will enable accounting based on the MFRS, after certain rules of accounting based on the MFRS have been introduced in the accounting policy.

In contrast to the provisions of the national standard, the requirements of the international standard of financial reporting do not strictly define the use of a specific chart of accounts by economic entities. Each business entity can adopt and define a specific chart of accounts in the accounting policy.

In the course of our scientific research, we have developed a plan of working accounts that economic entities in the electricity supply system can keep accounts on the basis of MHXS. In electricity supply enterprises, in particular, one of the largest enterprises in the network, "Uzbekistan National Electric Networks" JSC, in the accounting policy based on the MFRS, the use of the plan of working accounts, which is proposed for use in accounting, allows accounting based on the MFRS. In addition, this plan of working accounts has been developed taking into account the specific aspects of electricity supply activities, which facilitate the preparation of financial reports in these enterprises, serve to increase the efficiency of control of the balance sheet and financial results of the enterprise.

The proposed scheme of working accounts is also convenient in that they are as close as possible to the BHMS account numbers of 21. This makes it easier for existing practicing accountants to master the proposed plan of working accounts, and it can also be used for electronic programs (for example, "1C accounting", SAP) that will be developed in the future and work based on MHSS.

In order to consistently fulfill the requirements of the international standards of financial reporting, it is necessary to create reserves for some costs in electricity supply entities.

International Accounting Standard (IAS) No. 19 (Employee Income) provides that reserves should be accumulated for vacations before they start. According to it, the economic entity must create a reserve for the employee's vacation at the same time as paying wages and other income.

The fact that JSC "National Electric Networks of Uzbekistan" is one of the largest enterprises in electricity supply entities, and the presence of its subsidiaries and, accordingly, the large number of employees, complicates the creation of a reserve for labor holidays in the economic entity.

Taking into account these complexities, the following method that fulfills the requirements of IAS 19 is proposed based on the provisions of the joint Resolution No. 2985 of the Ministry of Employment and Labor Relations of the Republic of Uzbekistan and the Ministry of Finance "On the approval of the Instruction on the procedure for determining the amount of average salary to be maintained during annual work leave":

The method of determining the amount of monthly allocation to the reserve for employees' working holidays:

$$A / 25,4 * 1,12 * (M+N) / 12$$

here,

A - the amount of social tax income paid to the employee during the calendar month (income in the form of remuneration for labor specified in Article 371 of the Tax Code);

M – Own Res. The number of annual basic vacation days according to the Labor Code;

N - days of additional work leave based on collective agreements, labor contracts and other documents with employees of the economic entity.

The amount of 25.4 used in the calculation of the reserve for vacation pay is a fixed amount, which represents the number of working days in an average month of a calendar year in establishments with a 6-day work week.

According to the tax legislation, the enterprise must pay social tax from the wages of labor leave. When creating a reserve for employees' working holidays, it is necessary to take into account the social tax cost of the economic entity, and therefore, an increasing coefficient of 1.12 is included in the reserve calculation method.

Another advantage of creating a reserve for employee vacations is that if an employee leaves work without taking a vacation, it allows the costs of the economic entity not to increase, especially when the company is reducing the number of employees due to financial difficulties.

In this case, the following accounting transfers are issued:

1. When calculating wages:

debit: M2010/M9420/Other accounts accounting for expenses

credit: M6710 "Wage liability"

2. To the monthly reserve for employees' vacations:

debit: M2010/M9420/Other accounts accounting for expenses

credit: M6730 Reserve for working holidays

3. When an employee is given a working holiday:

debit: M6730 Reserve for working holidays

credit: M6710 "Wage liability" or M6740 "Non-wage liability to an employee"

On the basis of international standards of financial reporting, on the basis of the classification of operating costs by nature and functions, the form of the "Profit and Loss" report was developed based on the characteristics of the electricity supply sector.

The result of this report made it possible for power grid companies to recognize income on the delivered electricity and receive transparent information about the costs incurred in the "Profit and Loss" report. Based on the international standards of financial reporting, the classification of operating expenses by nature and functions, and taking into account the characteristics of the electricity supply sector, reduced the time of compiling the "Profit and Loss" report and increased the efficiency of information disclosure.

**Table 1**

**Report on "Generalized Income" based on MHXS**

<i>Measurement unit ( for example , in million soums )</i>	<i>Explanation</i>	<i>Basis period</i>	<i>Report period</i>
	<i>No</i>		
<b>Net income</b>			
<b>Cost</b>		0	0
<b>Gross profit</b>			
<b>Other operating income</b>			
<b>Administrative and general operating expenses</b>		0	0
<b>Reserve costs for expected loan losses</b>		0	0
<b>Operating profit</b>			
<b>Dividend income</b>			
<b>Share of profit/(loss) of associates and joint ventures, net</b>			
<b>Financial income</b>			
<b>Financial costs</b>		0	0
<b>Exchange rate gain or loss, net</b>			
<b>Profit before tax</b>			
<b>Income Tax Expense (Refund)</b>		0	0
<b>Annual profit / loss</b>			
<b>Other comprehensive profit (loss) for the year</b>			
<b>Total consolidated profit (loss) for the year</b>			
<b>From this:</b>			
<b>profit ( loss) belonging to the owner of the company</b>			
<b>The portion of profit (loss) attributable to non-controlling shareholders of the company</b>			

According to national standards, the form of the financial report called "Report on Financial Results" is called "Statement of Comprehensive Income" in international standards, and its specific form, like the form of the "Statement of Financial Position", is not strictly defined.

### CONCLUSION

Studying the application of international standards of financial accounting in electricity supply enterprises, we would like to make the following conclusions and suggestions:

1. It was proposed to introduce a plan of working accounts formed on the basis of international standards of financial reporting based on the characteristics of the industry in electricity supply enterprises.

Clause 1 of the Decision PQ-4611 of the President of the Republic of Uzbekistan Sh. Mirziyoyev dated February 24, 2020, joint stock companies, commercial banks, insurance organizations and large tax payers are required to conduct accounting from January 1, 2021 and financial statements by the end of 2021 based on international standards of financial reporting. report preparation is required. In contrast to the provisions of the national standard, the requirements of the international standard of financial reporting do not strictly define the use of a specific chart of accounts by economic entities. Each business entity can adopt and define a specific chart of accounts in the accounting policy.

The introduction and use of the working accounts plan based on MFRS of "Uzbekistan National Electric Networks" JSC and "Andijan Regional Power Networks Enterprise" JSC made it possible to keep accounts on the basis of MFRS in the joint-stock company. In addition, this plan of working accounts was developed taking into account the specific aspects of the electricity supply activity, which facilitated the preparation of financial reports in branch enterprises, increased the efficiency of control of the balance sheet and financial results of the enterprise.

2. the buildings, structures, transmission wires, supports and insulators used in electric energy supply entities by opening separate working accounts within the account 0120 - "Building, structure and transmission devices" was substantiated.

Based on the nature of the industry's activity, many main assets involved in the supply of electricity in "Uzbekistan National Electric Networks" JSC and "Andijan Regional Electric Networks Enterprise" JSC are mainly accounted for in the "Building, structure and transmission equipment" account. The use of the proposed working accounts used in the accounting of these fixed assets served to increase the effectiveness of keeping fixed asset accounts and controlling their presence and movement in electricity supply entities.

3. The proposal of the method of creating a reserve for employees for working holidays was justified.

International Accounting Standard No. 19 (Employee Income) stipulates that reserves should be accumulated for vacations before they start. According to it, the economic entity must create a reserve for the employee's vacation at the same time as paying wages and other income.

4. Based on the characteristics of the electricity supply industry, a proposal was made for the form of the "Financial Status" report based on the international standards of financial reporting for energy supply enterprises.

In the international standards of financial reporting, the form of "Balance sheet" is called "Statement of financial position" and its specific fixed form is not defined. By using the proposed form of the report on "Financial status" in electric power enterprises, the time of its preparation has been reduced and the efficiency of information disclosure has increased.

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