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## IMPROVING THE CURRENT ASSETS ACCOUNT IN UZBEKISTAN ON THE BASIS OF INTERNATIONAL STANDARDS

ODILJON KHUDOYBERDIEV

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### Abstract

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**Keywords:** *current assets, trade and other receivables, cash and cash equivalents, international standards of financial reporting, reserves, statement of financial position.*

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*In this article, the state of reflecting current assets in the current accounting balance sheet in Uzbekistan is researched, and ways to improve its structural structure are shown. Ways to align the composition of current assets with international standards, classify trade and other receivables, and improve accounting and reporting of current assets based on international standards are recommended. About the financial situation the format of the report was developed in accordance with the international standards of financial reporting. These recommendations serve to increase the reliability and accuracy of information on current assets.*

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### Author correspondence:

**Khudoyberdiev Odiljon Egamberdiugli**

*Independent researcher, Tashkent Institute of Finance,*

*Amir Temur Street, 60A, Tashkent, Uzbekistan*

*E-mail: [odil1101@mail.ru](mailto:odil1101@mail.ru)*

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### INTRODUCTION

On the one hand, sufficient amount of attracted working capital to ensure current activities requires effective use and management, and on the other hand, it requires accurate and strict accounting and control. For this reason, in order to improve the level of providing working capital to enterprises operating in all countries, it is an urgent issue to prepare and present accurate information about its status, amount, use, and financial status. This, in turn, requires the harmonization and standardization of current asset accounting at the world level.

Implementation of international financial reporting standards (IFRS) requires broad involvement of the scientific community, conducting research on the introduction of internationally recognized rules and principles to enterprises operating in developing countries. In particular, on the basis of international standards, the development of methodological procedures for categorizing current assets at the level of accounting policy of the enterprise, defining their composition, evaluating and reflecting them in the financial status report depending on the level of liquidity are urgent issues.

Uzbekistan, joint stock companies and enterprises that are considered large tax payers have been assigned the task of preparing and submitting financial reports based on IFRS. At the same time, there are a number of issues that are waiting to be resolved, including reserves, accounts receivable, recognition and evaluation of long-term assets

classified as held for sale, improvement of accounting records and developments based on international standards, development of the format of the financial statement that complies with international standards. did not have time to find a complete solution. Ensuring the effective performance of these tasks requires conducting scientific research on the improvement of current asset accounting in enterprises based on international standards .

### LITERATURE REVIEW

The new conceptual framework of financial reporting [3] introduced "economic resources and requirements". Neil Amato, in his article [10] in Accountancy magazine, the most influential magazine in the USA, points out that digital assets are introduced by professional organizations and shows the methodology of conducting its accounting and auditing. American scientist Kevin Conley [6] emphasizes that the accounting policy for reserves is an important factor in managing reserves, and shows its role in effective management. I.R. Sukharov [4] based on the research of the standards on the cost of reserves makes a proposal to improve the norms limiting the transfer of additional administrative costs to the cost of reserves. V.A. Trekhova [7] sheds light on the methodological issues of using the actual cost, retail price and standard cost methods in accounting for the cost of reserves. M.I. Khayitbaev [8] studied the nature of inventories, their evaluation according to international standards, and their reflection in financial statements. R. Tountner and Erwin van der Laan [5] study the issues of stock assessment for decision-making purposes by information users. However, in these works, issues of improvement of national standards based on international standards, harmonization of the principles of the reserve evaluation procedure have not been sufficiently researched.

### ANALYSIS AND RESULTS

Today, in the accounting balance of Uzbekistan companies, section II "Current assets" is allocated for current assets in the asset section. Here are its components and suggestions for their improvement (Table 1):

**Table 1**

**Composition of current assets and directions for improvement in the current accounting balance sheet\***

Indicators	String code	Areas of improvement
<b>Inventory, total (line 150+160+170+180), including:</b>	140	It is appropriate to call it "Reserves".
<b>Production stocks (1000, 1100, 1500, 1600 )</b>	150	Disclosures should be included in the report
<b>Work in progress ( 2000, 2100, 2300, 2700 )</b>	160	Disclosures should be included in the report
<b>Thai food ( 2800 )</b>	170	Disclosures should be included in the report
<b>2900 and 2980 )</b>	180	should be included in the report
<b>Future period expenses (3100)</b>	190	Compliance with the requirements of international standards
<b>Deferred expenses (3200)</b>	200	Compliance with the requirements of international standards
<b>Debtor total (220+230+240+250+260+270+280+290 + 300+310)</b>	210	Accounts receivable should be classified under "Trade and other accounts receivable".
<b>of which: expired</b>	211	It should be left in the internal information

\*It was developed by the author based on the current form of the accounting balance sheet

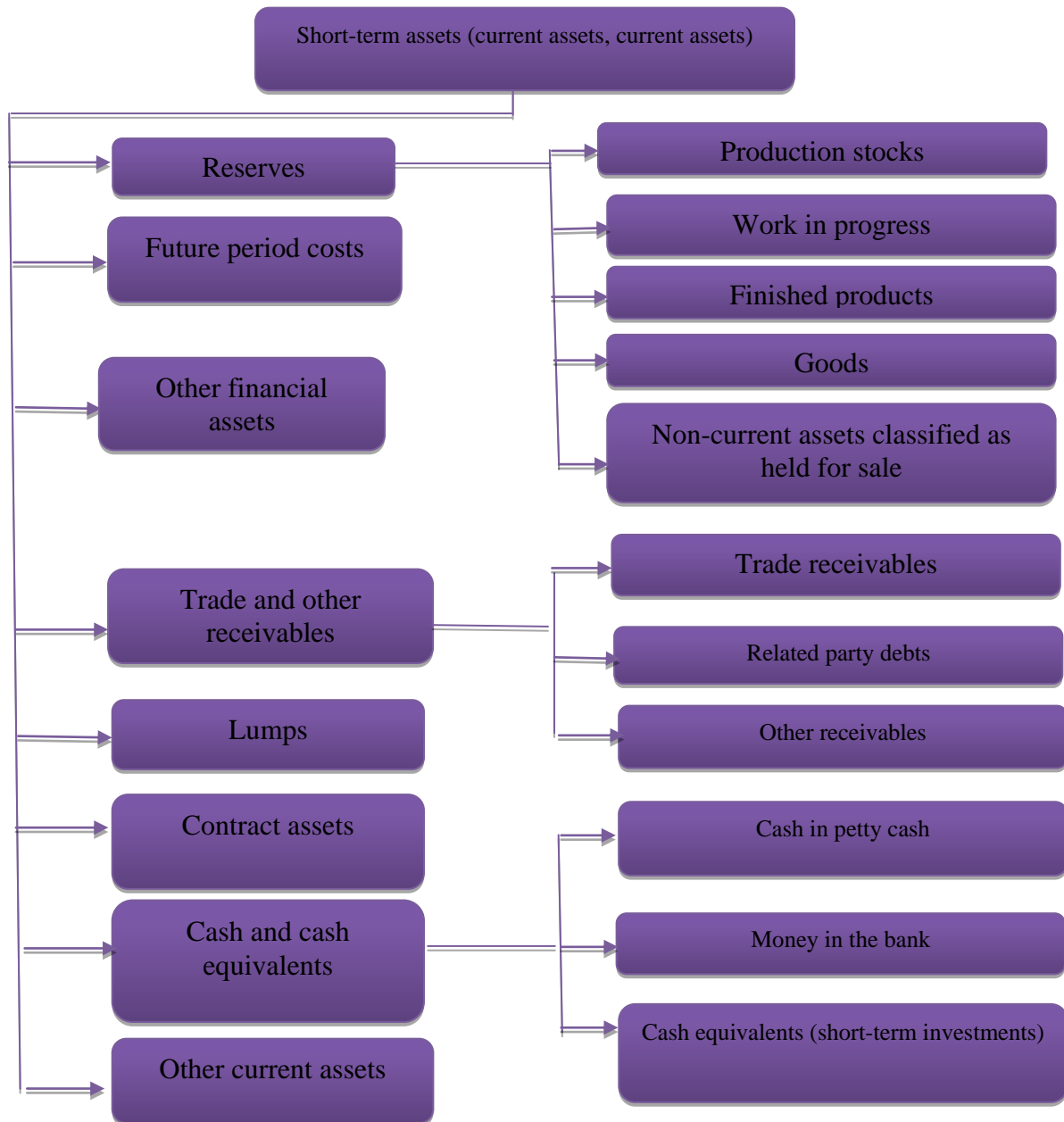
		system
<b>Accounts Payable (difference between 4000 and 4900)</b>	220	Only the trade receivables part should be left
<b>Cost of separate parts ( 4110 )</b>	230	Compliance with consolidated reporting requirements
<b>Debt of subsidiary and dependent economic companies (4120)</b>	240	Compliance with consolidated reporting requirements
<b>given to employees ( 4200)</b>	250	Compliance with the standard "Employee Motivation" No. 17 IAS
<b>Credits to suppliers and contractors</b>	260	The part of trade receivables should be left, and the non-trade part should be reflected in a separate line
<b>Payments of taxes and levies to the budget (4400)</b>	270	Lines 270 and 280 should be combined
<b>Section on public trust funds and insurance</b>	280	Lines 270 and 280 should be combined
<b>Debt of the founders on shares to the authorized capital (4600)</b>	290	Private capital should be formed according to the actual input. Then debts on shares will not be formed
<b>Employees' debt for other operations (4700)</b>	300	Compliance with the requirements of international standards
<b>Other debtors (4800 )</b>	310	Should be designed for non-trading receivables
<b>Funds, total (line 330+340+350+360), including:</b>	320	It is advisable to reflect cash and cash equivalents in one line (money in the cash register, in the settlement chart and in foreign currency should be combined)
<b>Short -term investments ( 5800 )</b>	370	It is necessary to comply with the requirements of international standards
<b>General current assets (5900 )</b>	380	It is necessary to coordinate with IFRS
<b>Total for part II (line 140+190+200+210+320+370+380)</b>	390	

Based on this table, it is appropriate to improve the current assets part of the current accounting balance as follows:

**First**, in practice, 23 lines are allocated for current assets in the form. However, the requirements of international standards specify the number of lines that are required to be reflected in the financial statement. Therefore, it is necessary to disclose several items in the balance sheet. For example, if the company deems it appropriate in its accounting policy to name the item "inventories" as "Reserves" as suggested above, then information on the types of reserves can be presented in the disclosures. No. 1 IAS did not require disclosures on reserves. Accounts receivable should be divided into two groups: trade accounts receivable and non-trade accounts receivable. In the current procedure, this rule is not observed. As a result, it will not be possible to create a cash flow statement based on the balance sheet and the statement of financial results. Consolidation of debts of separate units, subsidiaries and affiliates should be in accordance with the students' standards .

**Second**, separate lines should be allocated for current tax assets and long-term assets intended for sale. For this, it is necessary to introduce the requirements of the standards governing the profit tax and non-current assets intended for sale. These

improvement directions provide an opportunity to reflect transparent and consistent and truthful information in the accounting balance sheet.

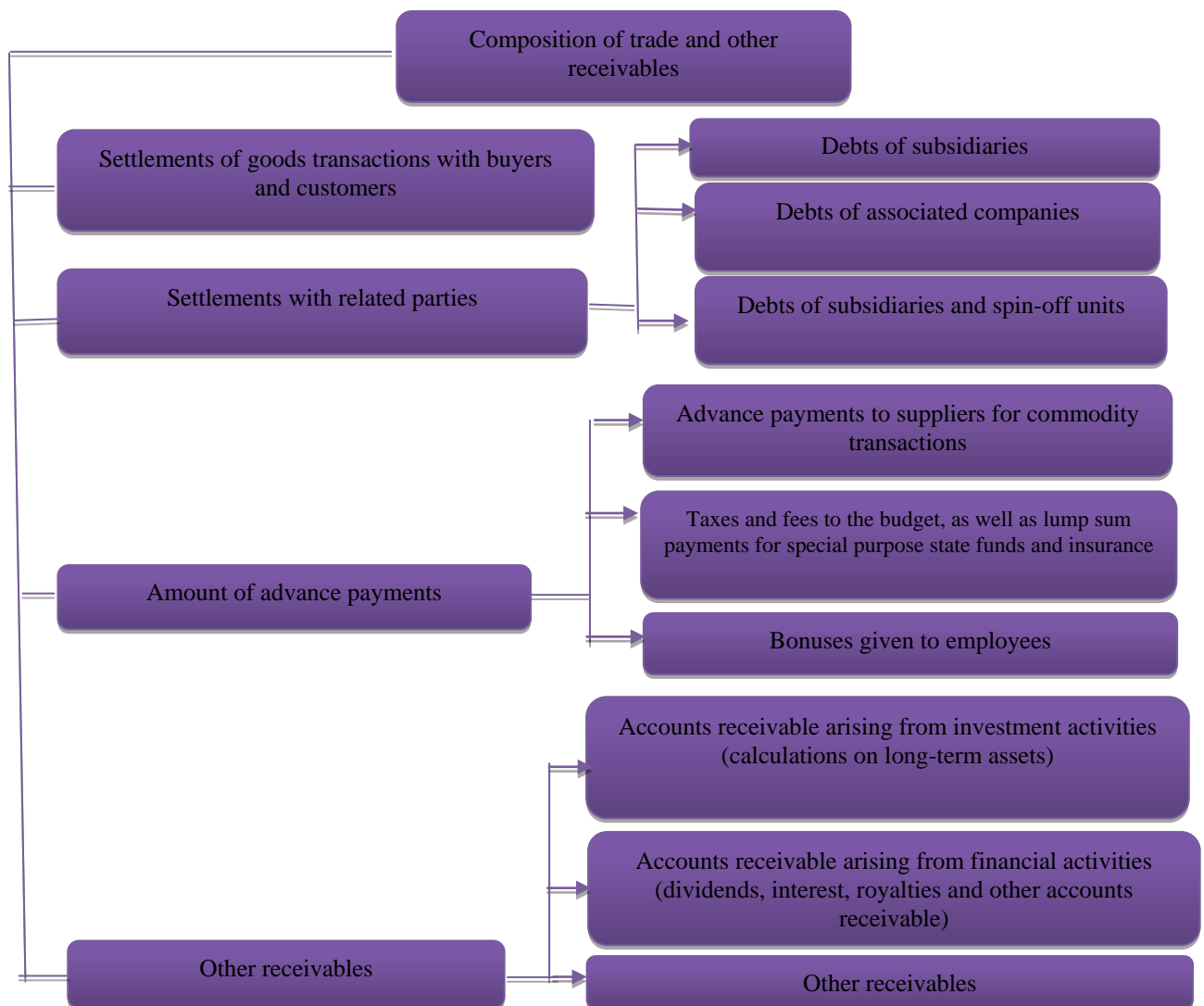


**Figure 1. Classification of short-term assets (current assets).**

The composition and classification of short-term assets is presented in Figure 1.

Short-term assets have three distinguishing features [11] :

- They rotate during the normal operating cycle;
- They rotate for a period not exceeding 12 months from the reporting date;
- Assets that are not limited by their useful life. They include cash and other quick liquid assets.



**Figure 2. Classification of trade and other receivables**

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of the Financial Statement No. 1 "Presentation of Financial Statements" requires the reflection of "Trade and other receivables". Clause 78 of this standard contains another rule related to the presentation of receivables in financial statements. According to it, it is noted that "receivables should be detailed separately into debts of buyers and customers, debts of related parties, sums of advance payments and other sums" [2]. According to international standards, trade and other receivables are included in financial assets. We have shown the classification of receivables according to international standards in Figure 2 above.

When improving the calculation of cash and cash equivalents, attention should be paid to the following directions:

- 1) The definition and components of cash and cash equivalents should be harmonized with international standards. It is necessary to develop the composition of monetary equivalents;
- 2) Marks, patts and other monetary equivalents (lotteries, loans, lottery tickets) should be excluded from monetary equivalents . This classification does not meet the requirements of international standards;

<sup>ii</sup>Author development based on research

3) The classification of funds in required deposit accounts and non-required deposits in the bank should be coordinated in accordance with international practices. It is desirable to introduce advanced foreign experiences. It is necessary to improve the procedure for accounting of funds in transit currency, foreign currency accounts in foreign banks;

4) The statement of cash flows should be fully aligned with international standards. Currently, in our practice, we think that there are insufficient methodological recommendations on the application of criteria aimed at determining the relevance of cash flows to investment and financial activities.

The regulatory legal documents include the concept of other current assets, but its content is not disclosed.

On the basis of the above conclusions, the implementation of the proposals made on the conceptual issues of current assets will serve to harmonize the accounting of current assets with international standards.

current balance sheet, current assets are divided into seven groups [ 9 ]:

II. Current assets :

1. Inventories
2. Future expenses
3. Delayed expenses
4. Debtors
5. Funds
6. Short-term investments
7. Other current assets"

We reflect the reflection of current assets in the current accounting balance in the following table (Table 2):

**Table 2**

**Presentation of current assets in the 2021 annual report of  
"Tashkentdonmahsulotlari" JSC**

<b>I. Current assets</b>			
<b>Inventories, total (line150+160+170+180), incl</b>	140	144415233.00	130735838.00
<b>Production stocks (1000, 1100, 1500,1600)</b>	150	137140646.00	122520691.00
<b>Work in progress (2000, 2100, 2300, 2700)</b>	160		
<b>Finished products (2800)</b>	170	5469824.99	7872740.00
<b>Goods (difference of 2980 from 2900)</b>	180	1804762.00	342407.00
<b>Future period expenses (3100)</b>	190		
<b>Deferred expenses (3200)</b>	200		
<b>Total debtors: (line 230+240+250+260 +270+280+290+300)</b>	210	49161738.00	65775106.00
<b>It has expired</b>	211		
<b>Accounts Payable (difference between 4000 and 4900)</b>	220	5620919.00	4920470.00
<b>Debt of segregated units (4110)</b>	230	971923.00	
<b>Debt of subsidiaries and affiliates (4120)</b>	240	971923.00	1723598.00
<b>Bonuses given to employees (4200)</b>	250	16904.00	38229.00
<b>Vouchers issued to suppliers and contractors (4300)</b>	260	36377200.00	47297144.00
<b>Payments of taxes and levies to the budget (4400)</b>	270	3255652.00	8451350.00
<b>Lump sum payments on trust funds and insurance (4500)</b>	280	164155.00	173976.00
<b>Debt of the founders on shares to the authorized</b>	290		

<b>capital (4600)</b>			
<b>Employees' debt for other operations (4700)</b>	300	1335893.00	1565134.00
<b>Other accounts receivable (4800)</b>	310	1419092.00	1605205.00
<b>Funds, total (line 330+340+350+360), incl</b>	320	2150481.00	2925533.00
<b>Cash on hand (5000)</b>	330		
<b>Funds in the settlement scheme (5100)</b>	340	374167.00	36759.00
<b>Funds in foreign currency (5200)</b>	350		
<b>Other cash and equivalents (5500, 5600, 5700)</b>	360	1776314.00	2888774.00
<b>Short-term investments (5800)</b>	370		50000.00
<b>Other current assets (5900)</b>	380	116684.99	116685.00
<b>II (line 140+190+200+ 210+320+370+380)</b>	390	195844137.00	199603162.00
<b>Total on balance sheet asset (line 130 +390)</b>	<b>400</b>	<b>247175357.00</b>	<b>286940090.00</b>

this report has the following shortcomings:

**Firstly**, the composition of the inventory does not fully comply with international standards. For example, it is indicated which accounts consist of production stocks (1000, 1100, 1500, 1600). 1000-shyo does not fully meet the requirements of international standards of spare parts, household inventory and equipment. When determining the composition of production materials, it should be included among the issues of authority in the accounting policy of the enterprise. Animals in cultivation and feeding are not included in the biological assets of account 1100.

**Secondly**, the criteria for recognition of future expenses and deferred expenses as current assets, reflected in lines 190 and 200 of the balance sheet, have not been developed.

**Thirdly, the** composition of receivables is also not properly formed. Accounts receivable are not separated into trade and non-trade accounts receivable. Reflecting the results of losses from the impairment of receivables in the balance sheet has not been reflected.

**Fourth**, there is a need to align the classification of funds with international standards. Criteria for recognizing short-term investments as cash equivalents have not been developed.

We include the following in the main areas of improvement of the account and report of current assets:

We believe that the first direction is to bring the composition of current assets (short-term assets) into line with international standards. Because, as we noted above, the composition of current assets does not fully comply with international standards;

The second direction is to include a group of financial assets in the component of current assets. The concept of financial assets is not included in the current accounts and reports.

The third direction, the issues of inclusion of current tax assets, long-term assets classified as intended for sale, and the current part of biological assets into the working capital should be researched.

The fourth direction is to align each item of current assets (financial assets, trade and other receivables, current tax assets, recognition of long-term assets classified as held for sale, valuation criteria) with full international standards.

The fifth direction is to harmonize the procedure for reflecting current assets in the statement of financial position and the results of operations related to them in the statement of profit and loss and other comprehensive income.

Based on the requirements of the above standard, it is considered appropriate to reflect current assets in the following composition in the financial statement (Table 3).

**Table 3**

**Reflecting turnover (current assets) in the statement of financial position<sup>iii</sup>**

Indicators	31 Dec. 2020	31 Dec. 2021
Reserves	X	X
Trade and other receivables	X	X
Cash and cash equivalents	X	X
Non-current assets held for sale and assets of exiting groups held for sale	X	X
Current and deferred tax assets (separate)	X	X
Other current assets	X	X

According to IAS No. 1 "Presentation of Financial Statements" standard, the following are included in the range of information directly reflected in the financial statement (Table 4)

**Table 4**

**Information on current assets directly reflected in the statement of financial position<sup>iv</sup>**

In Uzbek language	Naming in English
1. Financial assets	1. Financial assets
2. Reserves	2. Inventories
3. Trade and other accounts receivable	3. Trade and other receivables
4. Cash and cash equivalents	4. Cash and cash equivalents
5. Non-current assets classified as held for sale and assets of exiting groups	5. Assets classified as held for sale, and assets indicated in disposal groups classified as held for sale

not classify deferred tax assets as separate current assets when it presents current assets and non-current assets as separately classified groups in its statement of financial position .

organization takes into account the following additional groups:

- (a) the nature and liquidity of the assets;
- (b) the nature of the assets within the organization; the amount of indicators<sup>v</sup>

international standards, it determines the number of items that can be reflected in the balance sheet or disclosures in reports:

- receivables - details of debts of buyers and customers, debts of related parties, advance payments and other amounts;
- In accordance with the standard of BHXS No. 2 "Inventories" - presentation classified into goods, production stocks, materials, work in progress and finished products

Based on the rules described above, we offer the following form (format) of the accounting balance (table 5).

<sup>iii</sup>Developed by the author based on research

<sup>iv</sup>Author's development based on MHXS

<sup>v</sup><https://finacademy.net/materials/standartu-msfo/msfo-ias-1>



**Table 5**

Reflecting the part of current assets in the report on the financial situation harmonized with international standards students for 2021 in the example of "Toshkent mexanikazavodi" JSC<sup>vi</sup>

II. Current assets	String code	Amount
<b>Reserves, total, including (150+160+170+180+190):</b>	140	132 835 435.00
<b>Production reserves</b>	150	122 520 691.00
<b>Work in progress</b>	160	
<b>Finished products</b>	170	7 872 740.00
<b>Goods</b>	180	342 407.00
<b>Non-current assets classified as held for sale and assets of exiting groups</b>	190	2 099 597.00
<b>Future period costs</b>	<b>200</b>	
<b>Trade and other receivables, total including : (line 220+230+240+250+260 +270+280+290+300+310) :</b>	210	64 277 705.00
<b>Trade debt to customers and customers for goods (works, services) (amount after deducting impairment losses)</b>	220	4 450 470.00
<b>Accounts payable for long-term assets (net of impairment losses)</b>	230	470,000.00
<b>Related parties: trade receivables of associated (subsidiary) enterprises (amount after deducting impairment losses)</b>	240	
<b>Related parties: Subsidiaries trade receivables (amount after deduction of impairment losses )</b>	250	1 719 680.00
<b>Credits to suppliers and contractors (net of impairment losses)</b>	260	47 285 600.00
<b>Payments of taxes and fees to the budget</b>	270	8 451 350.00
<b>Interest payments on trust funds and insurance</b>	280	173 976.00
<b>Lump sum payments to employees</b>	290	38 229.00
<b>Debts on interest, royalties and dividends receivable</b>	300	83 400.00
<b>Other receivables</b>	310	1,605,000.00
<b>Contract assets</b>	320	
<b>Cash and cash equivalents, total (line 340+350+360+370+380), incl.</b>	330	2 975 533.00
<b>Cash on hand</b>	340	
<b>Funds in national currency in the current account</b>	350	36759.00
<b>Funds in foreign currency in a foreign currency account (5200)</b>	360	
<b>Funds in other bank accounts</b>	370	2 888 774.00
<b>Cash equivalents (short-term investments and other cash equivalents)</b>	380	50,000.00
<b>Other current assets</b>	390	
<b>II (line 140+200+210+320+330+390)</b>	400	200 088 673

The table proposed above has several features.

**First of all**, it was proposed to include line 190 in the composition of inventories, which is called "long-term assets classified as held for sale and assets of exiting groups". According to international standards, this category of assets is included in working capital.

**Secondly**, it was recommended to show separately trade receivables and other receivables in the lines of receivables. For this purpose, accounts receivable from buyers

<sup>vi</sup>Author development based on research

and customers were divided into two groups: trade receivables for the sale of finished products, work and services of the organization; and accounts receivable for the sale of property, plant and equipment and other long-term assets. Because, the international standard envisages to reflect receivables arising as a result of operational activities separately from receivables arising as a result of investment and financial activities. The international standard requires separate classification and reporting of receivables with related parties. Therefore, receivables incurred in economic relations with associated companies, subsidiary companies, separate divisions and subsidiaries were reflected in separate lines.

**Thirdly**, due to the fact that international standards require the separate classification and reporting of receivables arising from loan payments, lines were allocated for each type of loan in the balance sheet. In order to reduce the size of the balance sheet, it is considered appropriate to allocate one line for items in the balance sheet and to reflect its individual types in the disclosures provided in the report. The company should define this in its accounting policy.

**Fourth**, a separate line was allocated for contractual assets in the balance sheet. In international standards, "Contractual asset is the right to coverage in exchange for goods and services transferred by the company to the customer, which depends on the fulfillment of some other obligations, except for the condition of the end of a certain period of time." defined as It can be seen that if the enterprise has transferred the goods to the buyer and obtaining the right to receive coverage depends on some other factors, this is not a receivable, but a contractual asset. Therefore, it is required to recognize the contractual asset as a current asset and show it in a separate line in the balance sheet.

**Fifth**, the concept of financial assets should be included in the report. In international standards, financial assets are included among the items that must be reflected in the accounting balance sheet.

### **CONCLUSION**

Based on the research, the following conclusions can be made:

The main areas of improvement of current assets accounting and reporting were suggested: alignment of current assets (short-term assets) with international standards; including a group of financial assets in the current assets component. The concept of financial assets is not included in the current accounts and reports; inclusion of the current part of long-term assets, biological assets classified as intended for sale in the working capital; recognition of each item of current assets (financial assets, trade and other receivables, current tax assets, long-term assets classified as held for sale, evaluation criteria in full accordance with international standards; current assets in the statement of financial position and the results of operations related to them aligning the procedure for reporting profit and loss and other comprehensive income to international standards.

In the research work, a format for reflecting the part of current assets in the financial statement was proposed. In this format, it was proposed to include in the report all substances that meet the content of international standards. In particular, reserves, expenses of the next period, trade and other receivables, contractual assets, cash and cash equivalents, other current assets were included in the balance sheet, and proposals were made to disclose their components.

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