

# Improvement of Reporting on Private Capital Based on International Standards

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**Abstract:** In this article, the author discussed the issues of improving private equity reporting based on international standards. In particular, he gave theoretical and practical suggestions and recommendations on the definition of private capital, the purpose of this report, the preparation and presentation of the form of "Report on Private Capital" in accordance with BHMS.

**Key words:** BHMS, private capital, business entity, participant, founders, asset, contribution, net asset.



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## Introduction.

This indicator of financial reporting, called equity or sources of formation of own funds (net assets), is a section of the balance sheet reflecting the residual claim of the founders (participants) on the legal entity they created. At the same time, in practice, this requires a separate report on equity or changes in equity. Equity decreases or increases depending on additional investments made to the business entity (issue of shares, shares, property received free of charge) and the results of its activities (net profit for the period, revaluation of fixed assets, etc.). In our opinion, *equity is a financial indicator characterizing the amount of funds belonging to the participants and founders of the business entity.*

Therefore, the purpose of the report on changes in private capital is to provide an overview of the organization's contributed capital, share capital, issue capital, reserve capital, retained earnings at the beginning of the reporting period and their contribution to the capital during the reporting period, sale of shares, capital issue, net profit (loss) during the reporting period ) and changes at the expense of other sources and providing information about the situation at the end of the reporting period.

## Literature review.

Various approaches, opinions and definitions are given to the concept of financial reporting in international and national standards, as well as by academic economists. It is known that

accounting and financial reporting in our republic are being harmonized with international standards. IFRS No. 1 "Presentation of Financial Statements" mentions the following term: "*General purpose financial statements*" (called "financial statements") are financial statements designed to meet the needs of users who do not have the ability to require an entity to prepare reports that meet their specific information needs. needs"<sup>1</sup>. "Financial statements are a reporting entity that provides information about the economic resources, claims on the entity, and changes in those resources and claims that meet the definitions of the elements of the financial statements"<sup>2</sup>. The purpose of a financial statement is to provide financial information about the assets, liabilities, private equity, income and expenses of the reporting entity that will be useful to users of the financial statement in estimating the reporting entity's future net cash inflows and in evaluating the performance of the entity's management in stewardship of economic resources.

The conceptual basis of national accounting standards used in the practice of our republic states the following: "Financial reporting is an integral part of financial reporting and is determined by the NAS. The financial statements also include notes, estimates and explanations based on or related to the statements. Such information should reflect financial information about the activities of industrial and geographical areas and explain the impact of price changes on financial results"<sup>3</sup>. Comparing the terms and definitions given in both standards, it can be seen that the financial statement in the international standard is intended mainly for users, while in the national standard it is intended to show the financial condition of the enterprise.

Economists and experts have given the following definitions and opinions to the concept of financial reporting, including, according to A. Karimov: "A financial report is a document that provides complete information about the financial condition of an organization, its activities and cash flows for a certain period of time, as well as analysis of the financial condition of the organization and is an important decision-making tool"<sup>4</sup>. According to A. Ibragimov: "The report is a collection of information about the results and operating conditions of business entities in the past, which is used for the purposes of analysis, control and management of their activities"<sup>5</sup>.

According to S. Tashnazarov: "Financial reporting is a system that includes truthful and high-quality information about the financial condition of an organization, the results of its financial and economic activities, and cash flows based on generally accepted rules. It is aimed at providing internal and mainly external users of information with their general need for information for decision-making and control"<sup>6</sup>. According to I. Ochilov: "A financial report is a document containing information about the financial results of enterprises for a certain period. It also reflects changes in the financial position at the reporting date"<sup>7</sup>. According to B. Khoshimov: "To clarify the end of the activities of a joint-stock company for a certain period, "summarizing and bringing information into a unified system" is achieved by drawing up a report, "the report is a set of information about the results and conditions of work of the joint-stock company over the past time, on the basis of which an analysis of activities used for control and management purposes is

<sup>1</sup> IFRS No. 1. Presentation of Financial Statements (2020 paragraph 7).

<sup>2</sup> Conceptual framework. Paragraph 3.2.

<sup>3</sup> Conceptual framework for the preparation and presentation of financial statements. NAS.. <https://lex.uz/docs/828557>

<sup>4</sup> Karimov A., Kurbanbaev Zh., Jumanazarov S., Khalilov Sh. Financial accounting and reporting. Study guide. – T.: Economics and Finance, 2018. – 400 p.

<sup>5</sup> Financial and management accounting / Textbook. Co-author-T: "ECONOMICS-FINANCE", 2020 – 467 p.

<sup>6</sup> S. Tashnazarov. Financial accounting 1 [Text]: textbook / Samarkand Institute of Economics and Service - Samarkand-2023 - 580 pages.

<sup>7</sup> I. Ochilov, N. Rizaev, M. Kalonov. Accounting/Textbook (for non-specialized undergraduate courses). - T.: "Nihol print" OK, 2022, – 318 p.

carried out”<sup>8</sup>. According to I. Ibragimova: “The international accounting system is a method of preparing financial statements and generating financial statements, based on the use of its theoretical ideas and conceptual framework to strengthen its information capabilities”<sup>9</sup>.

Foreign economists B. Needles, H. Anderson, D. Caldwell gave the following definition: “Financial reporting is a model of economic entities. Although the report may not reflect the full picture of the true state of affairs, it is the most acceptable attempt by accountants in this regard”<sup>10</sup>.

R. Anthony, J. Rees described the reports as follows: “The status report and the statement of changes (movements), where the balance sheet is included in the report of the first category. It provides information about a subject's resources at a particular point in time”<sup>11</sup>.

Thus, the various definitions and approaches given in the economic literature have the sole purpose of financial reporting, in particular the statement of financial position of an enterprise, to summarize and present to users important information about the financial condition of an enterprise.

### **Methodology.**

The article describes the procedure for bringing financial reporting into compliance with international standards, the transformation of reporting forms in our republic, in particular the reporting form presented under the name of the current balance sheet, is described in international terms. Currently, in order to bring the “statement of financial position” into compliance with the required form, revise its articles, formulate proposals and practical recommendations on issues such as evaluating report articles, the study uses techniques such as induction and deduction, analysis and synthesis, systems approach, logical thinking, comparison. Also, in the issue of compiling and presenting a statement of financial position, accounting methods were widely used, including: valuation, double entry, chart of accounts, registers of accounts.

### **Analysis and results.**

The report on private capital of the financial report provides information on the movement of private capital, the formation of reserves, and the dividends calculated for payment.

When calculating private capital, the following methods are widely used in practice:

*First*, this method is very simple, in that it takes the value of the capital account as the number shown in a certain line of the balance sheet;

*second*, the method is a bit more complicated and is based on the equality of the concepts of "capital" and "net assets". In both methods, raw balance data are taken as key indicators.

In the second method of determining equity, we consider it appropriate to determine it based on the following formula. That is, here, when dividing total liabilities from total assets, it is necessary to deduct receivables or deferred income <sup>12</sup>:

<sup>8</sup> Khoshimov B. Accounting theory. -T.: “Generation of the new century”, -2004.-P. 242.

<sup>9</sup> I. Ibragimova. Improving the implementation of international financial reporting standards in the practice of joint-stock companies. 08.00.08-Author's abstract of a dissertation for the degree of Candidate of Philosophical Sciences (PhD) in the specialty Accounting, Economic Analysis and Audit. 2022.

<sup>10</sup> Nields B. et al. Principles of accounting. /Translation from English edited by Y.V. Sokolova. M.: Finance and Statistics, 1993. -496 p. P.16.

<sup>11</sup> Anthony R., Rees J. Accounting: situation and examples: Translation from English edited and with prefaces by A.M. Petrachkova. – M.: Finance and Statistics, 1993. – 20-21 p.

<sup>12</sup> Author development as a result of research.

**Equity = Assets** (minus - accounts receivable for founders' contribution to the authorized capital )  
**- Liabilities** (minus - deferred income)

or,

**Net Assets = Equity**

In accordance with International Financial Reporting Standards (IFRS 1, "Presentation of Financial Statements"), a statement of changes in equity is presented and includes the following information:

- the total consolidated income for the period, showing separately the total sums of this income related to the owners of the main organization and the owners of shares that do not have control power;
- the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8 for each component of equity;
- a comparison between the balance sheet value at the beginning and end of the period for each component of equity, showing separately (at a minimum) the changes arising from the following, namely:

*profit or loss;*

*other general income;*

*Transactions with owners in their capacity as owners, showing separately the contributions made by owners and the amounts distributed to them, as well as changes in ownership interests in subsidiaries that do not result in a loss of control.*

In our republic, business entities that maintain current accounting prepare and submit the "Report on Equity" form in accordance with IFRS. For business entities that prepare this report form in accordance with the requirements of international standards (IFRS), we can see differences in the naming of this report and its structural structure. Below, we propose the following for the "Report on Changes in Equity" form, developed by the Ministry of Economy and Finance of the Republic of Uzbekistan in accordance with the order "On Approval of the Regulation on Requirements for Financial Statements" (ID-98836) for entities that prepare reports in accordance with IFRS:

- *Remove the "Comment" column from the recommended table, as its use other than the line code may lead to misleading reporting data;*
- *adding the item "Correction of errors according to the accounting policy" (line 0202) to the indicators;*
- *to the table column " Control not done introduction of the article entitled " contribution " ;*

As a result of the research conducted below, the report form "On changes in equity" is presented based on the practical data of "Andijandonmaksulot" JSC.

**Table 1. Statement of changes in equity**

20\_\_ year for

( thousand in sums )

Indicators name	Line code	Charter capital	Added capital	Reserve capital	Undistributed benefit ( not covered damage )	Other generalized of income components	Private of capital other components	Total private capital
<b>Previous report of the period As of January 1 remainder</b>	<b>0100</b>	647 766 049			40 503 278		14,954,517	703 223 844
Account in politics changes	020 1							

Correction of accounting policy errors	0202							
<b>Again calculated remainder ( line . 0100 +/- 020 1, 0202 )</b>	<b>0300</b>	647 766 049			40 503 278		14,954,517	703 223 844
<b>Previous report period for pure benefit ( damage )</b>	<b>0310</b>							
<b>Previous report period for other generalized income , total ( line 0321 +/-0322+/-0323+/-0324+/-0325 +/-0326+/-0327+/-032 8 ), this including :</b>	<b>0320</b>							
Again assessment to the model suitable evaluable main tools and intangible assets for again assessment as a result of value in growth changes ( tax the effects deducted in case )	0321							
Impact underneath organizations and joint of enterprises other generalized income ( loss ) to the organization relevant share	0322							
Marked payments pension programs on again assessment as a result of value in growth changes	0323							
Abroad division other to currency in the process of to the surface incoming exchange rate differences	0324							
Other generalized income through honest in value evaluable financial instruments again assessment as a result of value in growth changes	0325							
Money flow hedging	0326							
Abroad net investment in the unit hedging	0327							
Other comprehensive income	0328				134 628 751			<b>134 628 751</b>
<b>Owner with related operations , total ( string . 0331+0332+0333+0334-0335-0336), including :</b>	<b>0330</b>							
To stocks based payment to operations mainly of the shares expulsion	0331							
Uz proportional issuance of instruments ( shares ).	0332							
Business combination with related proportional of instruments expulsion	0333							
Released convertible of instruments proportional component ( tax the effects deducted in case )	0334							
Calculated dividends	0335							
Again sell taken private promotions	0336							
Undistributed for the benefit transfer	0340							
Private in capital other changes	0350							

<b>Previous report as of December 31 of the period remainder ( line . 0300+/- 0310+/- 0320+/-0330+/- 0340+/-0350)</b>	<b>0400</b>							
Account in politics changes	0500							
<b>Again calculated remainder ( line . 0400+/- 0500 )</b>	<b>0600</b>							
<b>Report period for pure benefit ( damage )</b>	<b>0610</b>							
<b>Report period for other generalized income , total ( line . 0621+/-0622+/-0623+/-0624+/- 0625+/-0626+/-0627 ), this including :</b>	<b>0620</b>							
Again assessment to the model suitable evaluable main tools and intangible assets for again assessment as a result of value in growth changes ( tax the effects deducted in case )	0621							
Impact underneath organizations and joint of enterprises other generalized income ( loss ) to the organization relevant share	0622							
Marked payments pension programs on again assessment as a result of value in growth changes	0623							
Abroad division other to currency in the process of to the surface incoming exchange rate differences	0624							
Other generalized income through honest in value evaluable financial instruments again assessment as a result of value in growth changes	0625							
Money flow hedging	0626							
Abroad net investment in the unit hedging	0627							
<b>Owner with related operations , total ( line . 0631+0632+0633+0634-0635-0636), including :</b>	<b>0630</b>							
To stocks based payment to operations mainly of the shares expulsion	<b>0631</b>							
Uz proportional issuance of instruments ( shares ).	<b>0632</b>							
Business combination with related proportional of instruments expulsion	0633							
Released convertible of instruments proportional component ( tax the effects deducted in case )	0634							
Calculated dividends	0635							
Again sell taken private promotions	0636							
Undistributed for the benefit transfer	0640							
Private in capital other changes	0650							
<b>Report of the period As of</b>	<b>0700</b>	<b>647</b>			<b>84 066 981</b>		<b>35 794 171</b>	<b>767</b>



December 31 remainder ( line . 0600+/- 0610+/- 0620+/-0630+/- 0640+/-0650 )		805 063						666 215
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The table shows that the new reporting format for changes in equity includes important information for users, such as changes in accounting policies, corrections of accounting policy errors, cash flows, and hedging of net investments in foreign operations, compared to the current reporting format.

**As a result of the research, we proposed the following national financial reporting standard (MHMS) project in order to harmonize the national accounting standard (BHMS No. 14) entitled Private Equity Statement with international standards.**

**Conclusions and offers.**

**National Financial Reporting Standard of the Republic of Uzbekistan (IFRS No. 3) "Statement of Changes in Equity" on Approval**

REPUBLIC OF UZBEKISTAN

ECONOMY AND OF THE MINISTER OF FINANCE

ORDER

Uzbekistan Republic financial of the report national standard (14th digit ) (MSMS) " Statement of changes in equity" . confirmation about Uzbekistan " On Accounting " of the Republic of Kazakhstan To the law suitable I order :

1. Uzbekistan Republic financial of the report national standard ( 14 - number i (MSMS) " Statement of changes in equity" to the application suitable be approved .
2. Uzbekistan Republic Finance ministry by March 1, 2004 with No. 36 approved Uzbekistan Accounting of the Republic national standard ( BHMS No. 14 ) " On private capital " ( list number 1335 , April 7 , 2004 ) in force no, it's cold because Let it be found .
3. This order officially announced from day one to force enters .

Ministry of Economy and Finance of the  
Republic of Uzbekistan

ADDENDUM to the \_\_- numbered drill  
of " \_\_ " \_\_\_\_\_ , 2024

**Uzbekistan Republic financial of the report national standard**

**( 3rd number ) MHMS) " Report on changes in equity "**

This National Financial Reporting Standard (NFRS) was developed in accordance with the Law of the Republic of Uzbekistan "On Accounting" and is an element of regulatory regulation of accounting in the Republic of Uzbekistan.

*General rules*

1. The purpose of the report is to present the items of the statement of changes in equity of an organization and its classification. This ensures that the reporting data for different periods are comparable with similar reports of other organizations. To achieve this goal, the organization provides information on the following:

- a) total consolidated income for the period;
- b) the effects of retrospective application or retrospective restatement recognized in accordance with the accounting policy for each component of equity;

c) a comparison between the balance sheet value at the beginning and end of the period for each component of equity, showing separately (at a minimum) the changes arising from:

- profit or damage ;
- other generalized income ;
- owners with their owner as action in doing operations , in which the owners by included the investments and to them divided amounts and control to lose take not coming department in organizations ownership share changes separately shown in case .

2. Organization to the requirements of this MHMS suitable on changes in private capital the report prepares and him/her every one report period for to be formed financial of the report structural part as present will .

*Basic concepts used.*

3. The following basic concepts are used in this MHMS:

*Total comprehensive income is the change in equity resulting from transactions and other events during a period, excluding changes resulting from transactions with owners in their capacity as owners.*

*Information to be reflected in the notes to the statement of changes in equity*

4. The organization should reflect the following in reports and comments:

a shareholder of capital every one category according to :

oh, the announcement done number of shares ;

ch pronounced ( right fully paid ) number of shares;

number of issued (not fully paid) shares;

a nominal value of shares ;

dividends division ;

department and organized to their societies relevant shares ;

option and trade contract for emission on to reserve separated shares ;

of the organization private in capital changes reflection to be afraid ;

and it is necessary to indicate the following separately:

accumulated profit (loss) balance at the beginning of the period and on the reporting date;

era net profit for distribution ;

private in capital every one of the reserve character and of the purpose description and change

5. Private to capital owner not organization private in capital share changes , rights , benefits and restrictions reflection scared is equivalent to the information illuminating to give necessary .

6. If the organization reclassifies the following between financial liabilities and equity:

- a resaleable financial instrument classified as an equity instrument;
- an instrument that imposes an obligation on the entity to transfer a proportionate share of the entity's net assets to other parties only in the process of liquidation and is classified as an equity instrument, the amount by which it is reclassified from one category to another (financial liabilities or equity), and the timing and reason for that reclassification.



7. For each component of equity, the entity shall present an item-by-item analysis of other comprehensive income in the statement of changes in equity or in the notes.

An entity shall present in the statement of changes in equity or in the notes the amount of dividends recognized as an amount distributed to owners during the period and the amount of dividends per share.

8. Equity components include, for example, the accumulated balance of each type of contributed capital, other comprehensive income, and retained earnings.

9. The change in equity of an entity between the beginning and the end of a reporting period reflects the increase or decrease in its net assets during the period. The total change in equity during the period reflects the total amount of income and expenses, including gains and losses, arising from the activities of the entity during the period, excluding changes arising from transactions with owners in their capacity as owners (for example, equity investments, repurchases of the entity's equity instruments, and dividends) and expenses directly attributable to such transactions.

10. Requires retrospective adjustments whenever possible to reflect changes in accounting policies. It also requires that recalculations to correct accounting policy errors be made retrospectively to the extent possible. Retrospective adjustments and retrospective restatements are not changes in equity, but are adjustments to the opening balance of retained earnings.

11. Requires the statement of changes in equity to separately disclose total adjustments to each component of equity resulting from changes in accounting policies and corrections of errors. These adjustments are disclosed for each prior period and at the beginning of the period.

Therefore, it can be concluded that the report on changes in equity provides users with accurate information about the formation of an organization's equity and the factors affecting it.

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