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IMPROVING ACCOUNTING FINANCIAL INVESTMENTS

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Annotation
The article critically evaluates the actions statutory provisions in the field of accounting for securities and other financial investments. Concrete suggestions for their improvement based on needs of modern business.

Keywords: accounting regulations, financial investments, assessment of production financial instruments, international financial reporting standards.

Introduction

In a market economy, financial investments play a special and very significant role. They serve as an important tool in the system of mobilization of free funds allocated for the solution various economic tasks. At the same time financial investment, especially in various kinds of securities are a zone with a high degree of risk. Various kinds of "failures" in this area, observed in practice, the main misrepresent the financial position of business subjects, and when they acquire a wide staff character, even give rise to financial crises. Therefore, it is no coincidence that accounting for financial investment is one of the most difficult
its areas requiring constant maintenance heightened attention.

At present, in our country, one of main regulatory documents, regulations order of accounting for this participant is national accounting standard №12 "Accounting for financial investments". Analysis of its content, carried out us shows that it contains a number of rather controversial, or at least not infallible river standards. First of all, this applies to national standard "Accounting for financial investments". It states that financial investments, by which it is possible to determine in the established order of the current market value, must be reflected in the financial statements at the end of the reporting year at the current market value by adjusting their valuation for the previous reporting date. The specified adjustment as noted in this document, the organization may, at its discretion, also
monthly or quarterly. And the difference between the assessment of financial investments at the current market value at the reporting date and the previous a more

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detailed assessment of financial investments is necessary attributable to financial results from commercial which organization (as part of other income or expenses) or an increase in income or expenses at non-profit organizations in the corresponding with an account for accounting for financial investments. However, is it in the interests of the case that such a rule grants the right to business entities do not make the adjustment in question throughout the year (and making it mandatory order only once a year at the end of it)? On our look - no. First of all, because the current market value of financial investments (shares, etc.), by which it is regularly determined, usually changes significantly during the year. As a result, if the business the entity does not make such adjustments during the year adjustments, then its interim accounting reporting on the financial investments contains not real, but so-called I use "posthumous" information in everyday life.

This, in turn, makes it difficult to analyze financial condition of the enterprise, complicates the work of external users of information, co-held in the financial statements, and accepted them on its basis of weighted decisions, etc. To avoid such negative phenomena, it is advisable to amend NASU 12.

In particular, write in it that "financial investments for which it is possible to determine in the prescribed manner their current market cost should be reflected in the accounting reporting provided on a mandatory basis at established addresses (i.e. not only in annual and quarterly reports) in this assessment at the end of the reporting period. What about monthly adjustments? (i.e. within quarters in their first two months), then the right to hold the latter or not follows leave to the business entity, and only in that situation, if it is not required providing monthly financial statements. Otherwise, such adjustment for the considered part of financial investments must be made according to the state on the 1st of every month.

Analysis of the Relevant Literature

The results of research on accounting of financial investments are described in many scientific literatures.

National literatures provide general methods and techniques of financial investment accounting in companies, but the existing literature does not contain accurate and complete information on accounting with securities, so we have tried to study deeply on this issue in our article.

Research Methodology

Dialectical and systematic approach, induction and deduction, analysis and synthesis, observation, logical approach methods were used during the research. In the course of the research, we studied the financial and economic relations between accounting financial investments in Uzbekistan and other countries, analyzed the influencing factors and developed our proposals and recommendations for improving accounting in this area.

Analysis and Results

To the advantages of our recommended approach to the assessment of the considered financial investments applies not only to the fact that it allows to eliminate the shortcomings noted above in the existing provisions. Just as important, it is completely "fits" with the principles laid down in International Financial Reporting Standards (IFRS), on the basis of which Uzbek accounting is being reformed, in particular those contained in IAS 34 "Interim Financial Reporting". At § 28 of it states the following: “the company must apply the same accounting policies for interim financial statements as for annualfinancial statements, except for changes in accounting policies made after dates of the latest annual financial statements, which should be reflected in next annual financial statements. Didn't get a good solution and issue with reflection in the accounting of the identified differences in the assessment considered financial investments. The current rules in national accounting, as, by the way, and those contained in IFRS, prescribe to attribute them immediately to financial results.

In our opinion, it would be more appropriate to differences at the time of their discovery should be taken into account at the beginning as part of deferred income/expenses (i.e., on accounts 098 and 097, respectively), since these are just the potential gains/losses that are available in the organization from the considered Financial investments (shares and other valuable securities), and their real value will be revealed only when these assets are sold. In this moment the above differences and should be reflected in as part of the financial results of operations organizations.

There are other changes in accounting. Analysis of its current system showed that in it there is practically no accounting for lost profits in various areas of activity of organizations. This fully applies to the accounting of financial investments, according to which it is possible to determine their current market value in the prescribed manner. According to them, preferably on off-balance sheet accounts reflect changes in its level for each day of the month when the quote was indicated relevant financial investments (previously total shares). This approach will expand the possibility of analysis in this area, since an additional very valuable information about lost profits in the area of financial investments and management the risks associated with them.

A number of current regulations in the field of setting and keeping records of financial investments, for which their current market value is not determined. NASU 12 prescribes for them carry out an impairment test at least once a year as of December 31 of the reporting year if there are signs of impairment. Moreover, if such a check confirms sustained significant cost reduction these financial investments, the organization is obliged to create a provision for their depreciation on the difference between accounting and calculated the value of these assets. NASU 12 also contains a provision according to which organization has the right to carry out an impairment test of the considered financial investments and on the reporting dates interim financial statements (i.e. quarterly). NASU 12 also provides a definition of the very concept of "sustainable decline value of financial investments", namely this a situation characterized by the simultaneous presence of the following conditions:

1) At the reporting date and at the previous reporting date, the carrying amount is significantly higher their estimated value;

2) During the reporting year, the estimated value of financial investments significantly changed only in the direction of decrease;

3) As of the reporting date, there is no evidence that a significant future increase in the estimated value of these financial investments.

At first glance, this definition "Sustained decline in the cost of financial investments" is quite capacious in its own way. However, at the same time it has clear signs of its flaws and incompleteness. In particular, it is not clear what does "significantly higher", "significantly changed", "significant increase"? And this keyword in this definition. Everyone may understand differently the so-called "materiality threshold". It was in the interest of the case it would be advisable to establish specific dimensions in order to avoid the "cross-strip" observed in practice. According to our calculations, he must be at least 10% of the base value, with which the comparison is being made. At the same time, a clarification should be made to the second, the above condition, characterizing a steady decline in the cost of financial investments. In particular, replace the words "within reporting year the estimated value of financial investments changed significantly exclusively in the direction of its decrease "to" during year prior to the reporting date, that the current wording of the said he norm looks incorrect when organizations, at their own discretion, verification of the presence of conditions for a steady decline the cost of the considered part of the financial investments on the reporting dates of the interim (i.e. quarterly) financial statements. More it is logical to use in such calculations for comparison, data is not for the last calendar year, but for a period equal to the previous one year prior to the reporting date on which the interim financial statements are prepared.

Conclusions and Suggestions

Raises a number of questions and the following norm, contained in NASU 12, in accordance with which “in case of insignificance of the quantity costs (except for amounts paid in accordance with an agreement to the seller) for the purchase of such financial investments as securities compared with the amount paid in accordance with the contract to the seller, the organization has the right to recognize such costs as other expenses organization in the reporting period in which the specified securities” Such an order in which some business entities can include the costs in question in the initial cost securities (that is, take them into account in account 58
“Financial investments”), while others write off the latter as expenses of the period i.e. reflect on account 93 “Other income and expenses”), ultimately leads to incompatibility reporting data of companies and complicates the work financial analysts and other user’s information. These negative consequences call into question the feasibility the presence of an invariant approach in the current regulations on accounting for the considered expenses. Based on the international practice, in particular "full IFRS", then IAS 39 Financial Instruments - Recognition and Measurement states that “upon initial recognition of a financial asset or financial liability, an entity must measure it at its fair value, plus in the case of a financial asset or financial obligation that is not measured at fair value through
profit or loss, transaction costs, direct related to the acquisition or issuance of financial asset or financial liability. A similar requirement is also in IFRS for small and medium enterprises. Its section No. 11 "Basic financial instruments" the following is noted: "if a financial asset or financial liability is recognized for the first time, the entity must evaluate it at the transaction price (including transaction costs other than the initial estimate financial assets and liabilities that measured at fair value through profit or loss), unless the terms define essentially the operation of financing. Therefore, in national accounting (in NASU 12) should legalize the same approach to the reflection in its system of the considered costs of acquired financial assets. Or as a last resort, if in NASU 12 and then there will be an invariant approach to their accounting, it is highly desirable to establish although
would be the "threshold of their materiality." It, on our view, in this case should not exceed 10% of the value of the securities paid in accordance with the contract to their seller. In the current NASU 12, unfortunately, it remained, so to speak, "behind the scenes" almost completely and issues of accounting for derivative financial

instruments (in particular, financial options, futures contracts, etc.). Meanwhile, these tools and in national practice are increasing use.

An option is known to be a transaction that provides the right, but not the obligation, to purchase in the future for a specified the date of something, and at a price agreed today, but including a commission to the seller. In reality, the actual prices prevailing on the set date very rarely coincide with the prices previously fixed in the option for its purchase. In this regard, it is highly desirable have in the accounting system, at least on its off-balance accounts, up-to-date information on the amount indicated deviations. Moreover, the owner of the option on these accounts should reflect information only about positive deviations for him.

This information should be indicated for a separate item and in the explanatory note to the financial statements of an organization (company), since it represents a certain interest for different groups of its users. As for negative deviations (i.e.

when the prices set in the call option of any asset turned out to be higher than their current market prices at the reporting date), the difference between them should not be reflected in the off-balance sheet account in the accounting of the option holder. The thing is that in such situations it does not incur additional losses, since circumstances, it has the right to refuse from the purchase of an asset. For it, losses in such situations amount to the amount previously paid commission to the seller of the option, which previously have already been accounted for by the current owner option.

A somewhat different situation arises with futures deals. The essence of the latter is that, unlike the option, the owner futures have no right to refuse to buy of the asset specified therein on the due date in the future at the price agreed today. And the latter during the term of the futures can deviate to one side or the other. Therefore, on the off-balance account in the account of the owner of the futures it is necessary to display the sum of not only positive, but also negative deviations between them and disclose it in the financial statements organizations in an explanatory note.

The implementation of these proposals will enhance the role accounting in the information support of modern business on such an important site as a financial investment.

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