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DIRECTIONS OF FORMATION OF OWN CAPITAL IN THE ENTERPRISE AND IMPROVEMENT OF ITS ACCOUNTING

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A R T I C L E I N F O.

Keywords: authorized capital, management of authorized capital, formation of authorized capital, management decision, enterprise profit, financial stability, return on equity.

Abstract

In our turbulent times, the creation of new enterprises is one of the most difficult tasks, in which the key issue is the formation of private capital. In the era of multiple ownership, a new category arose before accounting, this concept of capital, and also became one of the most difficult to interpret. Thus, this study is devoted to the formation and use of private capital in enterprises, the main purpose of which is to analyze the effectiveness of management and use of private capital of enterprises. Based on this goal, scientific and practical proposals were developed to study the sources of private capital formation, eliminate the identified shortcomings and problems.

Introduction. The formation of a democratic state with strong social guarantees, ensuring macroeconomic stability, creating a competitive environment, and strengthening the national currency require the development of a legal framework that is constantly adapting to dynamically changing market conditions.

As a result of the reforms carried out in the Republic of Uzbekistan, a multi-layered economy has really developed, qualitative changes have taken place in the structure of the national economy, and a class of owners has been formed.

The recognition of the Republic of Uzbekistan as an equal subject of international relations requires the construction of an open economy and the creation of economic institutions regulating the relationship of various business entities. One of these institutions is the Auditing Institute.

The areas of attention of a modern audit should be all business processes of joint-stock companies, companies, which would lead to an improvement in the quality of the enterprise management system.

In modern market conditions, the activity of an economic entity should be provided with sufficient stability and independence. In this regard, an important element of the company's strategic management is the management of its own capital, in particular, ensuring its sufficiency to maintain financial independence and improve the well-being of shareholders. The relevance of the analysis and evaluation of private capital is due to the need for an information base for making informed decisions on improving the capital structure and achieving its maximum efficiency. The performance indicators of private capital management are determined by the effectiveness of management decisions, and the company's perspective is one of the main indicators for determining the development strategy. An important condition for ensuring strategic planning is to assess the cost of capital and compare it with competitors and the market as a whole [6-8].

Capital is a set of financial resources of a company that are in circulation and used within the framework of the activities of an economic entity that bring profit. The structure of equity consists of two main groups: authorized and accumulated capital, which in turn are divided into additional, reserve and retained income.

The size of the authorized capital is most often formed during the creation of a company and is determined in its charter, it is the most stable element of capital, and further changes are allowed, but these changes are strictly controlled by government agencies, since its value is at least legally established, and the value of assets should not be artificially inflated, which also ensures the reliability of the company.

Literature analysis. One of the topical issues is the study and research of the formation and use of private capital in enterprises based on the above.

First of all, if we turn to the legislative norms “rules for filling out financial reporting forms”, registered by the Ministry of Justice of the Republic of Uzbekistan on January 24, 2003 No. 1209, and national accounting standards No. 21, the structure of private capital consists of the following balance sheet items. (Fig. 1)

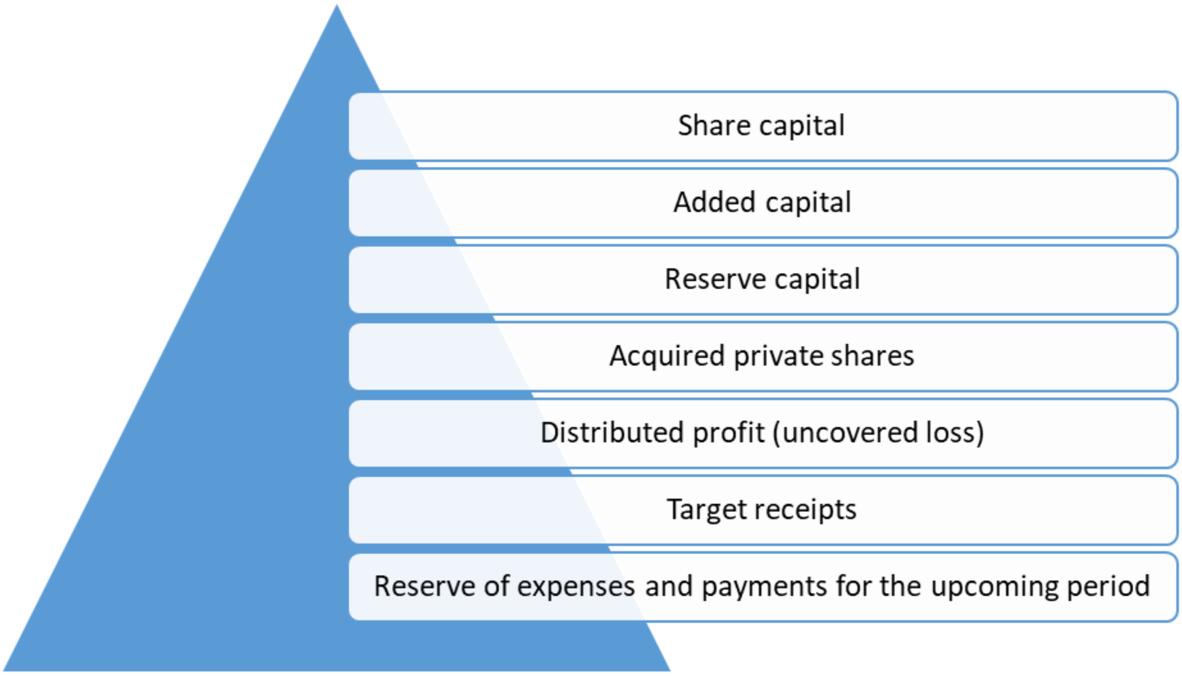

Figure 1. The structure of private capital according to regulations

According to the above regulatory legal acts, private capital consists of several structural units, in connection with which we have studied the views of domestic and foreign scientists within the framework of this topic and reviewed the definitions given.

Domestic scientists K.B. Urazov and M.E. Pulatov, speaking about the private capital of enterprises, pay attention to the authorized capital as an important type of it and rates it as follows: “authorized capital means the totality of funds invested in it by the founders of the enterprise, as well as the sum of the issued shares at par value” [1].

It can be seen from this that when we talk about private capital, we also understand its key element, the concept of “authorized capital”, so we turned to the opinion of scientists on this issue A.A. Karimov, J.E. Kurbanbayev and S.A. Zhumanazarov in the textbook “Accounting" the opinion is that “newly created enterprises independently form their financial and material resources. Such resources are usually created by the founders of a business by contributing their private property as a share in the authorized capital” [2].

Also in this textbook, the concept of “authorized capital” is charged as “the equity of an enterprise is its net assets (net assets, net value of property owned by owners), which are defined as a subtraction between assets and liabilities” [3].

In the textbook “Accounting” edited by P.Ya. Papkovskaya, the following definition is given: “the authorized capital is a set of deposits (shares, shares of nominal value) owners (founders, participants) in the property of the organization in monetary form for the implementation of economic activities. Modification of this unit is allowed only after entering the relevant data into the state registration register. For state organizations, the authorized capital is the monetary expression of all funds received from the state fund at their creation” [4].

Also, Russian scientists E. V. Kuzmina and N. V. Morozova. The book “Accounting” provides the following definition: “the authorized capital of an enterprise is the minimum amount of an organization's property necessary to carry out financial and economic activities in order to make a profit and ensure the interests of creditors” [5].

From this, it can be argued that each accounting theory gives its own interpretation of this concept. This creates ambiguity of interpretation and a variety of related terms: "company capital", "equity", "owners' capital", "borrowed capital", "attracted capital", "share capital", "residual capital", etc.

Research methodology. Based on the purpose of the study, theoretical and methodological foundations were formulated, i.e. a comparative analysis of normative legal acts, works of industry scientists and expert opinions, information from the Internet and the media was carried out. Abstract logical analysis and dialectics, special methods of analysis, synthesis, induction, deduction and systematization of scientific information were also used in the study.

Results. The organization's own capital is a special form of resources. [6], [7] Unlike other sources, it has a clear legal basis and is an indispensable condition for the formation and functioning of any enterprise. [8], [9] In a market economy, capital is the investment of the owner and the profit accumulated during the entire activity of the organization. Thus, equity is the net value of property, defined as the difference between the value of an organization's assets (property) and its liabilities (attracted capital). The dynamics of equity is the most important indicator of the level of efficiency of economic activity.

There are many methods of analyzing the company's equity capital, according to which the analysis is carried out in stages:

1. Analysis of the company's need for equity and its structure;
2. Analysis of the cost of equity and the effectiveness of its use;
3. Assessment of turnover and return on equity;
4. Identification of indicators showing how profitable the current net asset management policy is for the company's shareholders.

As a rule, equity is represented by highly liquid assets owned by the founders or shareholders of the company. These include:

- authorized capital;
- added capital;
- Reserve capital;
- retained earnings.

The authorized capital is the initial capital required for the implementation of financial and economic activities. It represents the value of the equity capital specified in the company's founding documents.

The added capital is part of the company's equity and is distributed as an independent accounting object. The added capital is the yield of the issue and the additional issue of shares when selling shares above the nominal price, as well as the amount of exchange differences arising during the formation of the authorized capital.

The reserve capital is formed at the expense of the profit of the enterprise, according to the constituent documents of the enterprise, inflationary reserves formed during the revaluation of property, gratuitously received property.

Retained earnings are net profits that have not been distributed among the shareholders of an organization. Retained earnings for the reporting year are used to pay dividends to the founders and deduct (if any) from the reserve fund.

The analysis of the efficiency of the use of equity capital is carried out using the following coefficients:

- autonomy;
- maneuverability of equity;
- turnover of equity;
- Return on equity.

The autonomy coefficient shows the extent to which a company is independent of external financial resources — loans, investments. The higher the indicator under consideration, the more stable and effective the business model of the organization can be considered.

The maneuverability coefficient shows what is the share of equity, which is aimed at replenishing current assets, in the total volume of assets. It allows you to identify the percentage of capital represented in the most highly liquid assets of the organization, which, if necessary, can be reinvested or converted into dividends.

The turnover ratio reflects the ratio between the company's revenue and the average annual cost of its capital. It can be used to assess whether the company's commercial activities are sufficiently intensive. If the dynamics of these seem insufficient to the investor, he may well decide to withdraw his capital from the business. In addition, if the dynamics of the company's equity turnover is low, the bank may make a negative decision on the loan application.

The profitability coefficient can be used during the analysis of the company's equity, — the coefficient of return on net assets. It characterizes how effectively net assets are used in terms of ensuring the profitability of the company. This indicator is one of the key indicators for an investor

Return on equity closes the entire pyramid of performance indicators of the enterprise, all activities of which should be aimed at increasing the amount of equity and increasing its profitability.

Dicussion. Equity includes funds directly invested in the company by the owners, as well as profits reinvested over time in the company.

The classical interpretation of equity considers capital as a factor of production that creates surplus value, that is, the entire volume of benefits that bring income to an organization.

Thus, the condition, movement and realization of economic capital is carried out through accounting. The balance sheet is a consequence of accounting for the company's operations, which are qualified from an accounting point of view as income and expenses, that is, the facts of capital dynamics.

The Principles of IFRS note that although capital is generally defined as a residual value [10], in the balance sheet it can be divided into subgroups [9], for example, retained earnings, reserves formed from retained earnings, revaluation reserves [11], exchange differences on contributions to authorized capital, etc.

In accordance with the National Accounting Standards of the Republic of Uzbekistan [12-15], equity consists of authorized, added, reserve capital and retained earnings.

The components of equity under IFRS are:

1. Ordinary shares;
2. Preferred shares;
3. Own or Treasury shares;
4. Retained earnings;
5. Accumulated other comprehensive income (or other reserves);
6. Non-controlling interests (or a minority stake).

In accordance with IFRS, there are two main concepts of capital:

1) the financial concept of capital (capital — net assets or equity of the company);
2) the physical concept of capital (capital is the production capacity of a company, for example, the production of n units per day).

As the basis of accounting methodology, the Principles of IFRS allow companies to choose one of two concepts of capital:

1. Maintaining financial capital;
2. maintaining physical (or economic) capital.

In accordance with this concept, capital is interpreted as the share of owners in the assets of the organization, and profit is treated as an increase in the actual purchasing power of the capital invested by the owners, and profit is considered earned only if there is an increase in net monetary assets during the reporting period, excluding all payments to the owners of the organization and their contributions to the organization during the reporting period.

Within the framework of this concept, the company's capital is its entire productive capacity, that is, the totality of all its assets as carriers of future economic benefits.

In accordance with the concept of maintaining physical capital, profit is considered earned only if during the reporting period there is an increase in the physical productive (or operational) ability of the organization (resources, funds providing this ability) excluding all payments to the owners of the organization and their contributions to the organization during the reporting period.

The concept of capital maintenance is based on the ideas of J.Hicks, according to which profit is considered as the amount that an organization can spend without impoverishing its financial situation at the beginning of the period.

Thus, within the framework of this concept, profit can be defined as income remaining after we have saved sufficient resources to be able to do what we could do at the beginning of the period for which it is calculated. At the same time, this value can be determined after evaluating the company's assets and liabilities at fair value at the reporting date.

IFRS regulate the preparation of financial statements and do not require accounting "in accordance with IFRS" [16]. That is, they describe only the rules for preparing financial statements in accordance with IFRS. Thus, the standards prescribe and clarify the recognition, measurement and disclosure of various reporting items – the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes.

Therefore, the company can keep records according to national standards, and then, at each reporting date, make amendments (adjustments) to prepare financial statements in accordance with IFRS. This process is called the transformation of IFRS reporting, and it is most often used in practice.

The transformation process can be divided into the following stages:

- rearrangement and reclassification of financial statements prepared in accordance with the National Accounting Standards into IFRS reporting items;
- obtaining additional information necessary for transformation;
- amendments to the National Accounting Standards in accordance with the requirements of IFRS; preparation of the balance sheet and statement of financial results
- preparation of the cash flow statement and notes to the financial statements.

When applying IFRS, the financial indicators obtained differ from similar indicators in national reporting. This is due to the fact that IFRS assesses the economic return on assets more realistically, and reflects liabilities more carefully. In addition, the concept of fair value is used in the valuation of assets and liabilities.

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Conclusion. The reserve capital is formed at the expense of the profit of the enterprise, according to the constituent documents of the enterprise, inflationary reserves formed during the revaluation of property, gratuitously received property.

Retained earnings are net profits that have not been distributed among the shareholders of an organization. Retained earnings for the reporting year are used to pay dividends to the founders and deduct (if any) from the reserve fund.

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