

## ISSUES OF IMPROVING ACCOUNTING OF FINANCIAL RESULTS IN BUDGET ORGANIZATIONS

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### Abstract

In the article, the ways of organizing and improving the accounting of financial results of budget organizations in Uzbekistan based on the experiences of world countries are analyzed in detail. The specific features of financial results calculation in budget organizations were determined and appropriate conclusions and recommendations were developed.

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### Introduction

Conducted in our country to further increase the efficiency of reforms, the state and society in all respects development, modernization of our country, macroeconomic stability in the conditions of further strengthening, the importance of reforms in the field of economy, finance and accounting in our republic as a sector on the way to development is reflected in today's demand. Accounting in the operation of state budget organizations, enterprises, farms, including control of financial results in budget organizations significant aspects are evident. The President of our country Shavkat Miromonovich Mirziyoyev's thoughts on further development of accounting and budget control can be a proof of our opinion. In <sup>1</sup>particular, the President of the Republic of Uzbekistan Sh.M. Mirziyoyev's Decree No. PF-6300 of August 27, 2021 shows the importance of this sector in the country's economy and its development.

Decree of the President of the Republic of Uzbekistan " On the Development Strategy of New Uzbekistan for 2022-2026" dated January 28, 2022 No. a number of tasks were defined, including <sup>2</sup>:

- Review of the activities of state financial control bodies.
- Determination of measures aimed at the prevention and prevention of violations of the budget legislation.
- Improvement of information systems aimed at ensuring the correct calculation of wages and equivalent payments in budget organizations.

<sup>1</sup> President of the Republic of Uzbekistan " Measures to improve the state financial control system" gi Farmoni, dated 27.08.2021 PF-6300-son.

<sup>2</sup> Decree of the President of the Republic of Uzbekistan " On the Development Strategy of New Uzbekistan for 2022-2026", No. PF-60 dated 28.01.2022 <https://lex.uz/uz/docs/- 5841063>

- Implementation of the monitoring system regarding the volume of work performed in the construction objects being implemented at the expense of the state budget and the commissioning of them within the specified periods.

Therefore, after studying the role and importance of accounting and financial control in the financial system of the country, in this field problems that arise and conducting scientific research on them today is relevant today.

Financial results and legal documents in budget organizations are the subject of the course work. The subject of the course work is to study the importance of financial performance control in budget organizations, its goals and tasks, and the importance of measures to improve financial performance control in the Republic of Uzbekistan. In particular, let's focus on the primary concepts of the economy as we know it: income and expenditure. Identifying them, determining their main characteristics, together with this, they are of particular importance in determining the financial result, that is, profit or loss.

### Literature review

First of all, what is a budget organization? A budget organization <sup>3</sup> is a non-profit organization established by the decision of the state authorities in accordance with the established procedure for the implementation of state functions and maintained at the expense of the state budget.

Second, what is financial control? If we look at the Budget Code of the Republic of Uzbekistan, financial control is defined as follows: financial control <sup>4</sup> - accounting, finance, statistics, bank documents and other documents of objects of state financial control in order to control the implementation of the legislation on the budget. is a process of study, analysis and comparison.

Financial results include the results obtained from the main activity of the economic entity and its other operations. Financial results can be described in a broad sense as intermediate results, i.e. incomes and expenses, and in a narrow sense - as profits and losses of an economic entity. In this case, incomes and expenses can be formed in accounting both as current incomes and expenses, and in the form of incomes and expenses of the future period.

The main indicator of financial and economic activity is the financial result, which reflects the increase (decrease) in the value of private capital during the reporting period. When talking about financial results, it is permissible to dwell on its essence.

On financial results is completed on the basis of the order of the Minister of Finance of the Republic of Uzbekistan dated December 27, 2002 "On approval of financial reporting forms and rules for their completion".

On financial results is approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 54 of February 5, 1999 "Regulation on the composition of the costs of production and sale of products (works, services) and the procedure for the formation of financial results" is carried out according to the classification of income and expenses.

According to the conceptual basis "For the preparation and presentation of the financial report", "Financial results are the final economic result of the activity of the economic entity expressed in the form of profit or loss" <sup>5</sup>.

"Income" and "cost" categories are fundamental accounting concepts. These categories are important for achieving the main goal, increasing the size of financial results and making management and economic decisions for the users of the report. It should be noted that categories of financial results play

<sup>3</sup> Budget Code of the Republic of Uzbekistan 01.01.2014 <https://lex.uz/docs/-2304138>

<sup>4</sup> Budget Code of the Republic of Uzbekistan 01.01.2014 <https://lex.uz/docs/-2304138>

<sup>5</sup> National accounting standards of the Republic of Uzbekistan. - T.: O'BAMA, 2001

an important role not only in accounting, but also in the management of the entire business entity. This can be seen in the picture below.

The main task of reflecting income and expenses in accounting is to determine their amount. Uncertainty of business transactions affects the impartiality and accuracy of the assessment of income and expenses. This is expressed by the time of recognition of income and expenses and the distribution of accounting information on income and expenses between reporting periods.

Used in each transaction, when determining the situation, it is necessary to apply the recognition criteria to individual elements of the transaction. For example, if the selling price of a product includes a certain value for after-sales service, this value is recognized as income from the main economic activity during the period when the service is provided. Conversely, the recognition criteria apply to two or more transactions whose outcomes are related to actuality when transactions are viewed as a series of transactions.

It should be noted that the main conditions for the recognition of income and expenses in conditions of uncertainty are their reliable assessment and adherence to the principle of prudence at the time of recognition. Here, the principle of prudence means that there is a possibility of obtaining economic benefits related to the transaction, as well as that the realized or expected costs related to the transaction are reliably determined.

The current system of accounting for financial results is based on the principles of consistency of income and expenses during the reporting period, continuity of activity, prudence, which determines capitalization and reserve formation. On the other hand, the rule of determining and determining the amount of income and expenses, the rule of gathering data based on methodological rules, allows more accurate calculation of the final financial result during the reporting period.

indicators related to financial results in accounting requires a scientifically based classification of profit accounting objects. Deducting extraordinary profits and losses from the composition of financial results does not justify itself. It is known that many natural disasters are happening all over the world recently. This, in turn, causes a large amount of damage and has a negative impact on the financial condition of many economic entities.

Regarding the subjects and objects of budget control, the objects of control and audit in the process of budget execution are the financial body, state trust funds and budget organizations, and in terms of control, they are divided into the following:

1. Budget revenues and expenses;
2. Budget funds, budget loans;
3. Settlement funds, working capital funds;
4. Revenues and expenses of budget organizations;
5. Financial and non-financial assets;
6. Obligations and financial results.

1-3 of the above-mentioned objects apply to financial bodies and state trust funds, and 4-6 apply to budget organizations. Subjects of control and audit in the process of budget execution are:

1. Chamber of Accounts;
2. Ministry of Economy and Finance;
3. Tax Committee;
4. Independent auditing firms (contractual).

of the Republic of Uzbekistan is entrusted with the authority to control the implementation of the state budget and is the main subject of control.

So, the budget organization is a ministry, state committee, office, state organization that is supposed to allocate funds from the state budget for the implementation of its activities related to the performance of assigned tasks, and these funds are considered the main source of financing. Why is financial control important in budgetary organizations?

Regular monitoring of financial results allows to make correct conclusions and make correct decisions about the activities of the budget organization.

But there are a number of indicators of the financial result, all of which are reflected in the statement of financial results and provide interim and final information about the income and expenses of this reporting period. By comparing income and expenses, the following indicators are determined. According to the textbook "Budget control" co-authored by B.K.Hamdammov and A.A.Ostonakulov: "Financial results can be positive or negative. A positive financial result is a profit, a negative financial result is a loss<sup>6</sup>. In budget organizations, financial results mean the net value of the asset resulting from the comparison (subtraction) of all the organization's revenues (revenues, cash expenses made through the treasury on budget funds) and all calculated actual expenses. Or in other words, the financial result of budget organizations can be understood as the net value of the asset resulting from the subtraction of all the organization's assets (non-financial assets, financial assets and debtors) from its liabilities (creditors).

Primary documents signed by the employees of the treasury units who have the right to sign primary documents and accounting registers are drawn up for accounting of the execution of the budgets of the state budget and state trust funds.

### Analysis and results

The most important aspect of the report on financial results is that not only budget organizations and it is possible to predict the next activity of the economic entity. In international practice, there are different views of the structure of the statement of financial results.

Although this report is intended for a specific purpose, its structure and sequence of indicators are different. For example, the British-American model has the following characteristics:

1. The structure of this report is based on the concept of products sold.
2. Costs are classified according to their functions - production, supply, administrative, financial and others.

In the countries of Central Europe, the continental model is used, and its main features are as follows:

1. The main indicator for the preparation of the report is not the volume of product sales, but the gross manufactured product, which includes the sold product, the product in the warehouse and the shipped product;
2. Costs are classified not according to their function, but according to the place of origin (inventories, wages, depreciation, financial expenses, taxes).

Through this, users of the financial report can analyze the share of various costs in the manufactured product, their occurrence by economic elements. In terms of simplicity of calculations, the British-American model is preferable.

Not only the forms of financial statements, but also the additional information attached to the financial statements are important for analysis and audit. Comments, explanations and tables are added to the

<sup>6</sup> B.K.Hamdammov va A.A.Ostonakulov "Byudjet nazorati" o'quv qo'llanma. –T.: "Iqtisod-moliya", 2018.

additional information, and through them there is an opportunity to objectively evaluate the results of the activity.

Additional information attached to financial statements is usually divided into 2 groups:

1. Financial information expressed in monetary terms. For example, reserves are displayed on a single line in the balance sheet, and its contents are disclosed in reporting applications. It can be disclosed in different ways: the location of assets, the place of occurrence of transactions, the amount of income and expenses.
2. Non-financial information includes:

comments on the balance sheet not expressed in monetary terms (commentary on accounting methods).

Quantitative indicators expressed in kind (number of employees and staff structure).

This information makes it possible to clarify the nature of transactions expressed in terms of value. While financial information forms the basis of financial reporting, non-financial information is also important.

**Table 1 Features of the forms of reporting on financial results<sup>7</sup>**

Key factors	British-American model	Continental model	Practice of Uzbekistan
1. The basis of the structure	The concept of the product sold	Gross manufactured product	Revenue from product sales
2. Classification of expenses	By functions: - Cost; - Administrative expenses; - Supply costs; - Research and development costs.	According to the place of arrival; - Costs of purchase of raw materials; - Expenses on workers and servants; - Depreciation expenses.	By function: - Production costs; - Period expenses; - Financial costs; - Contingent damages.
3. Analysis capabilities	Costs can be analyzed based on a different approach (by function and location)	Only analysis by place of occurrence is possible	Costs can be analyzed based on a different approach (by function and location)

Let's focus on the international experience of financial statement analysis. The diversity of the structure and content of the annual financial report is explained by the differences in national accounting standards. In many countries, the accounting standards specify the indicators reflected in the lines of the financial statements. In addition, in most cases, the analysis of financial statements is conducted on the basis of appropriateness.

But in most cases, companies provide more information than recommended in the standards. Today, there is fierce competition in the world to attract additional sources of financing, and for this, companies are forced to prepare analytical reports with detailed indicators.

The abundance of additional information in the financial statements makes it possible to study the differences between different national accounting standards. This situation will continue until the full integration of accounting.

The table below shows the requirements for the preparation of the statement of financial results in foreign countries.

<sup>7</sup> Compiled by the author.

**Table 2 Requirements for the preparation of the report on financial results in international practice<sup>8</sup>**

Different aspects of the report	Countries			
	Italy	France	Germany	Russian Federation
Compulsory inclusion in the annual financial report	Mandatory	Mandatory	Mandatory	Mandatory
Presentation frequency	1) Yearly 2) Half-yearly (for companies whose shares are quoted on stock exchanges)	Yearly	Yearly	Yearly
Presentation options depending on the size of the company	1) Normal 2) Reduced for small businesses	1) Main 2) Detailed 3) Abbreviated	1) Normal 2) Reduced for small businesses	1) Normal 2) Reduced for small businesses
Form of structure	Vertical (German style)	Vertical and horizontal	Vertical form in the following form: functional or cost (according to the nature of production)	Vertical
Intended for users	Tax authorities and other users		to Italy and France, but to a lesser extent	External and internal users of the report

The data in the table shows that in the analyzed countries it is mandatory to prepare a report on financial results. But there are differences in its structure and user orientation.

Table 3 shows the comparative data of the report prepared on the basis of international standards of financial reporting with the "Report on financial results".

Table 3 shows the "Gross Income Statement" and "Financial Results Statement" items compiled on the basis of IFRS and NAS do not fully correspond to each other. For example, the cost of goods sold, selling expenses, and administrative expenses items reflected in the "Financial Results Statement" are listed as financing expenses according to the Financial Statements. Although it is specified in the Financial Statements that expenses should be reflected according to their nature and assignment, the categories of expenses are not indicated in the "Gross Income Statement"

<sup>8</sup> Швецова О.В. Сравнительная характеристика Российских и зарубежных подходов к формированию информации о финансовых результатах в отчетности. //Аудит и финансовый анализ, 4/2013. [http://www.auditfin.com/fin/2013/4/2013\\_IV\\_02\\_13.pdf](http://www.auditfin.com/fin/2013/4/2013_IV_02_13.pdf).

**Table 3 Comparative analysis of the items "Report on gross income" prepared on the basis of IFRS and "Report on financial results" prepared on the basis of NAS of Uzbekistan<sup>9</sup>**

<b>Recommendation No. 1 IFRS</b>	<b>Order No. 31 of the Ministry of Finance of the Republic of Uzbekistan dated February 7, 2002</b>
Income	Net income from product sales
Financing costs	Cost of goods sold (goods, work and services), Selling expenses, Administrative expenses, Other operating expenses
	Other income from the main activity
	Profit (loss) of the main activity
Tax expenses	Profit tax
	Other taxes and fees on profits
-	Profit before tax
Profit or loss remaining after tax on a discontinued operation resulting from disposal costs, disposal of assets or valuation at present value	
Profit or loss	Net profit (loss) for the reporting period
Each component of gross income	-
The share of affiliated or partner organizations in other gross income under the equity method of accounting	
Total gross income	
Profit or loss and total gross income attributable to non-controlling interests and parent company founders	

The main difference between the report prepared on the basis of IFRS and NAS, the items "Share of affiliated or partner organizations in other gross income according to the equity method of accounting" and "Profit or loss attributable to non-controlling interest and founders of the parent company and total gross income" are national not available in practice. This leads to the formation of a simple report, not a consolidated one, in business entities.

### Conclusion

Regarding the organization and improvement of financial results of budget organizations, it is necessary to emphasize the following:

- It is necessary to clearly define the composition of financial results accounting sources required for the implementation of the tasks defined on the basis of standard requirements;
- The organization of effective implementation of expenses of budget organizations depends, first of all, on the absolute and relative levels of their indicators, which should be fully covered and calculated.

Thus, attracting additional funds for the financing of public educational institutions and, at the same time, controlling this requires additional funds and labor force, qualified specialists. effective use of financial resources is one of the main requirements of today.

<sup>9</sup> Compiled by the author based on the information of MHXS and BHXS.

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