

## THE NATURE AND COMPOSITION OF OTHER COMPREHENSIVE INCOME, REFLECTED IN FINANCIAL STATEMENTS

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### Abstract

The implementation of international financial reporting standards (IFRS) in our country is one of the important issues on the agenda. One of the most important tasks of the country today is the application of international practice in the accounting system for the recognition of income and expenses, which are the main indicators of financial accounting. This article describes and discloses the concept of accounting for The concept of other comprehensive income, its essence and composition, reflection in the financial statements in accordance with international standards, the importance in the accounting system. Studying and improving the methodological side of this process today also remains one of the most important issues. This article also discusses income that is included in the income statements, such as the definition, composition, recognition, measurement and composition of the financial statements of other comprehensive income by type.

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### **Introduction.**

In the new Uzbekistan, intensive work is underway to reform accounting. An important regulatory document in this regard is the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 RP-4611 "On additional measures for the transition to international financial reporting standards" [1]. International Financial Reporting Standards (IFRS) is a set of documents developed by international professional organizations. Their study and implementation requires a deep analysis of each standard and the development of guidelines for their application.

Therefore, the organization of settlements in accordance with the requirements of this standard, the presentation of transparent information on income and profit in financial statements, to international investors by means understandable to them, that is, the most proven and effective methods and technologies, recognition and assessment criteria, the introduction of a methodology for providing reliable, consistent and Comparable financial information on the company's earnings, profits, distribution and profit share using international rules and principles is an urgent task for all countries, especially those that apply IFRS for the first time.

The transition to international standards requires the division of income into two categories: 1. Income reflected in the income statement; 2. Other income received that is not reflected in the income statement.

### Materials.

In the paragraphs above, we have discussed the issues of recognition, measurement and accounting of income, which are mainly reflected in the income statement. In this section, we explore the definition, composition, recognition, measurement and presentation of other comprehensive income that is not recognized in the income statement.

S.N. Tashnazarov calls other consolidated income other comprehensive income, defining it as follows: "Other comprehensive income includes items of income and expense (including reclassification adjustments) that are not recognized in profit or loss, they are required and allowed in other IFRSs"<sup>1</sup>.

In the ACCA graduate book in finance and business administration "Other gross income - including income and expenses that are not recognized in profit or loss (that is, they are recognized in reserves and not in profit or loss for the period)"<sup>2</sup>.

Irina Zavalishina notes that other comprehensive income is reflected in the statement of changes in equity: "Other comprehensive income (OCI) are items of income and expense that were not previously recognized in the income statement, but are impartially reflected in the statement of changes in equity"<sup>3</sup>.

Elena Vakaryuk, professor at ACCA, said: "Changes related to other non-core activities of the company, which arise as a result of different revaluation of certain items in accordance with the requirements of various IFRSs, are reflected in other general income"<sup>4</sup>.

### Research and methods.

Emphasizes the importance of the approach to recognizing other generalized income in sources. The main criterion: "There are several points of view, the most common of which is that all other unrealized income includes all unrealized income and expenses, that is, income that is not ready to cash flow at any time during the company's activities. For example, a revaluation of a manufacturing building (that is, an item of property, plant and equipment) is unlikely to occur in the next period that is expected in the course of the company's operations. The revaluation of such instruments represents unrealized gains that are recognized in other comprehensive income. On the other hand, the change in the fair value of a leased building (classified as investment property) represents realized income which is recognized in the income statement. Why?, Because, this is due to the fact that investment property can be sold at any time, depending on its accuracy, when the company decides that the investment objectives have been achieved and the building can be sold. investment property is likely to become cash flow for the foreseeable future"<sup>5</sup>.

The definitions given in the above regulatory documents, as well as by scientists, have basically the same meaning and disclose the characteristics of other generalized income. Summarizing these definitions, we define other generalized income as follows: "**Other comprehensive income** is a part of

<sup>1</sup> S.N. Tashnazarov. International Financial Reporting Standards: A Textbook for Masters in Higher Education. - Tashkent: "ECONOMY-FINANCE", 2019. - 584-p.. <https://www.academia.edu>. 104- p.

<sup>2</sup> ACCA Within the ACCA Diploma "Finance and Business Management" "Financial Reporting" Textbook P.2 KAPLAN PUBLISHING © 2020 Kaplan Financial Limited. 6-p.

<sup>3</sup> Irina Zavalishina. OTHER COMPREHENSIVE INCOME. PART 1 <https://finotchet.ru/articles/459/>

<sup>4</sup>Elena Vakaryuk. How to distinguish other comprehensive income from profit / loss and changes in equity? <https://www.hocktraining.com/blog/109>

<sup>5</sup>Other comprehensive income [OCI] <https://inflexio.ru/glossary/prochij-sovokupnyj-doxod/>

an enterprise's comprehensive income, including items of income and expense, unrealized income that is not reflected in profit or loss is reflected in the statement of changes in equity, and their composition and accounting is provided and allowed in a separate IFRS".

### Results.

A number of other characteristics of generalized income follow from this definition. **First**, there are income and expenses. However, it is not taken into account when calculating profit and loss, including net profit. Other comprehensive income is an integral part of the company's total comprehensive income. It can also be expressed by the following formula:

$$\begin{aligned} \text{Total comprehensive income} &= \\ &= \text{Profit and loss} + \text{Other comprehensive income} \quad (1.1) \end{aligned}$$

IFRS does not draw a dividing line between the components of this comprehensive income. There is one rule in the standards. All income and expenses are recognized only in profit or loss, except for items specified in separate IFRS. The items that are defined on a case-by-case basis in these separate standards are referred to as other comprehensive income. In our practice, the concept of other comprehensive income has not been applied. Today, for our country, which is moving to international standards, it is important to define, recognize and reflect in the structure other aggregate incomes.

**Second**, items included in other comprehensive income represent unrealized income. For example, as in the example above, income from revaluation of property, plant and equipment is unrealized income. Revaluation of fixed assets increases their value, but does not yet imply sale. The company has no information or plans as to when it will sell these assets in the future.

**Third**, gains and losses are recognized in the statement of changes in equity under retained earnings, while other comprehensive gains are recorded in the accounts that record these gains in the statement of changes in equity or are included in other items of general income. in the manner prescribed by the accounting policy. Consequently, other total income is an element of private capital.

**Fourth**, other income information is extremely useful information for managers and other decision makers. Consequently, international standards require users of the information to provide detailed and reliable information about other comprehensive income.

**Fifth**, until now, in our practice, the concept of other aggregate income has not been used. In 2021, companies that are moving to international standards will definitely have to reflect in their reports. Given the importance of these indicators for enterprises operating on the basis of our national standards, we consider it appropriate to amend our national standards accordingly.

### Discussion.

At the next stage of calculations, we reflect other comprehensive income in the accounting accounts. For this we use the accounts suggested above. The essence of the methodological procedure we propose is that other comprehensive income is initially accumulated in the accounts intended for each of these incomes. At the end of the year, the balances in these accounts are transferred to the corresponding private equity reserve accounts. In the statement of private capital flows, we consider the most appropriate practice to open a column of reserves and other reserves to increase the value of fixed assets and intangible assets. Based on these rules, we make accounting entries in the following table (Table 1):

**Table 1. The order of reflection in the financial statements of other aggregate profit of "Jambay" JSC for 2020 until December 31<sup>6</sup>**

s/n	Contents of operation	Linking accounts		Sum
		Debit	Credit	
1	Increase in value from revaluation of fixed assets	0110-0130	10010	28 400 000
2	Gains (losses) on financial assets measured at fair value at the company's option through other comprehensive income	0610 or other accounts related to financial assets	10021	5 800 000
3	Actuarial gains (losses) for defined benefit plans (unclassified component)	6990 "Accounts accounting for actuarial obligations"	10030	-
4	Effective money planning results	5110-5700	10070	-
5	The contribution of like-minded people to the increase in the value of the property	0610-1690	10040	-
6	Exchange rate differences from translation of foreign subsidiaries	5210	10060	-
7	At the end of the year, when other comprehensive income is transferred to reserves:			
	Increase in the value of property, plant and equipment.	10010	8510 8540	28 400 000 5 800 000
	Increase in the value of financial assets.	10021	Other reserves	
	Actuarial advantages and disadvantages.	10030	8540	-
	Money planning.	10070	8540	-
	Employee contributions to property value.	10040	8540	-
	Exchange rate difference from translation of foreign subsidiaries.	10060	8540	-

The methodological procedure suggested in this table has several advantages. **First**, changes in other comprehensive income during the year are first accumulated in the accounts in which this income is recorded, and then the final result is transferred to reserve capital. This, in turn, reduces the income from a previous increase in property, plant and equipment during the year as a result, for example, of a loss in the value of property, plant and equipment transferred to the corresponding other comprehensive income account. **Second**, the data in the other comprehensive income accounts make it easier to aggregate the data when completing the Other comprehensive income section of the statement of total comprehensive income. It allows you to receive data for replenishment not from the reserve capital, but from the data in the accounts for these purposes.

### Conclusion.

This methodological procedure also meets the requirements of international standards and is distinguished by its effectiveness.

Based on the study of other comprehensive income, the following conclusions can be drawn:

<sup>6</sup> Authoring based on research.

1. Other comprehensive income was described based on a study of international standards and industry literature. These gains represent unrealized gains that are not recognized in the income statement, which are recognized in the statement of comprehensive income, and the final financial results are reflected in the statement of changes in equity. Accounting for other comprehensive income is provided for and permitted by separate IFRSs. The study identified five characteristics of other comprehensive income.
2. The components of other comprehensive income are given, their definitions, for the purpose of classification, are divided into two categories. The first category is components that cannot be reclassified in the income statement. The second category is components that can be reclassified in the income statement. The constituent parts of these components have been identified in accordance with international standards.
3. To reflect other comprehensive income in accounting, a chart of accounts was proposed for opening accounting accounts for each item of other comprehensive income, and their application was demonstrated using practical examples.
4. Based on practical examples, methodological rules have been developed for the application of the methodological procedure for drawing up the profitable and unprofitable part of the statement of other comprehensive gross income for the reporting year, as well as other parts of the total income at domestic enterprises. A six-step methodical procedure for reflecting other incomes in accounts and reports is proposed.
5. The methodological aspects of reflecting other total income of joint-stock companies in the statement of changes in private capital and financial statements have been improved.

This methodological procedure serves to generate useful information for users of information that accurately reflects other total income in the accounts and reports.

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