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SOME ISSUES OF INVESTMENT ACCOUNTING

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Abstract: This article is devoted to the consideration of such topical issues as the economic essence of investments, their significance, description and classification of the investments as the object of accounting. In addition, the article represents the literature review of the opinions of foreign and domestic scientists on this point. Moreover, the article illustrates significant aspects of investments at the economic entities in terms of accounting.

Key words: investments, financial investments, capital investments, long-term investments, short-term investments, accounting object.

Introduction. It is well-known fact, that implementation of any economic activity is associated with the capital. In order to make a profit or to achieve economic and social efficiency, the placement of funds directed to the performance should be recognized as investment. Therefore, currently the top-target objective in the state economic policy is attraction of investments in the national economy, creation of favorable investment climate, efficient use of internal and external sources of finance. In particular, according to the Action Strategy which determines the directions of our country's development, "implementing an active investment policy aimed at modernization, technical and technological renewal and re-equipment of the production, development of the transport and communications' infrastructure", and "further development of international economic cooperation, including expansion of relations with leading international and foreign financial institutions, continuation of a reasonable foreign debt policy, and the efficient use of attracted foreign investments and loans" are determined as the crucial objectives for execution (Action Strategy, Decree, 2017).

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Therefore, the country pays a particular attention to the attraction of foreign investments and the creation of favorable investment climate in the country.

With the aim of attracting national and foreign investments and as a result of the implemented reforms our country “Within next five years 657 investment projects worth approximately 40 billion USD are supposed to be implemented in the country” (Mirziyoyev, 2017). Implementation of large-scale investment projects of this value justifies the necessity of continuous monitoring and improvement of efficiency of investment funds’ use.

According to the Action Strategy of the development of Uzbekistan on five priority directions for 2017-2021 the investment opportunities of our country have enhanced due to the improvement of the investment climate, active attraction of foreign direct investments in the national economy and perfection of the investment attractiveness of the country.

As the results of the analysis illustrate, since 2005 we can observe an upward trend of the investments attracted in the national economy (Table 1).

Table 1

Dynamics of the volume of investments made in the fixed capital in the Republic of Uzbekistan in 2005-2017[1]

Macroeconomic indicators	2005	2010	2015	2016	2017
Investments in the fixed capital, billion UZS	3165,2	15338,7	40737,3	49 476,8	60 719,2
Share of the investments in the fixed capital in the GDP, %	19,9	24,6	24,4	25,0	24,4

In particular, the volume of investments in the fixed capital in 2017 increased 19 times in comparison with 2005, 3,9 times in comparison with 2010 and 1,2 times in relation to 2016. However, the share of investments in the GDP rose by 5% in the past decade. The scale of reforms implemented in the country justifies the necessity to raise the volume of investments in the economy and their share in the GDP.

[1]**Source:** https://stat.uz Official site of the State Statistics Committee of the Republic of Uzbekistan.

With the aim of presenting opinions about investments and their efficient use, first of all, it is required to conduct a comprehensive study of views of scientists on the economic essence and meaning of this concept.

The concept of "investments" appeared in science in XX century. According to the theory of classical economists, there are three basic principles of investment in business: value, return, and expected result.

Concerning the economic essence of investments, the scientific views of foreign economists and scientists also vary on their essence. However, we have examined the concepts of financial and capital investments, which are recognized as objects of accounting, not investment, and we have developed our own conclusions.

As objects of accounting investments in business entities are mainly divided into two groups:

- financial investments;
- capital investments.

Literature review. According to the IFRS №39 introduced on January 1, 2001 "Financial instruments: recognition and assessment", investments are defined as it follows: "Investments are assets that are owned by an enterprise for the purpose of dividing property (interest, royalties, dividends and rent), capital gains or other types of income". (Standard, 2001).

National Accounting Standard №12 "Accounting of financial investments" provides the following definition to the concept: "Financial investments are assets disposed by an economic entity with the aim of getting income (in the form of interest, royalties, dividends and rents), increase the value of invested capital or to obtain other benefits for the investing company". (Standard, 2012).

Both of the above-considered terms consider investments as the asset placed by the company in the activity of another company with the aim of getting a financial benefit as the object of accounting. However, National Accounting Standard №12 looks upon these targeted assets as financial investments, but "financial investments" concept is not used in foreign practice. Thus, the international standard assumes the term "investment", not a "financial investment". So "financial investments" term implies basically placements of funds in securities.

Moreover, scientists who have conducted researches in the area of the national accounting standards, expressed the following opinions on this issue.

Professor K.B. Urazov defined financial investments as it follows: “Financial investments are the funds placed by the company in another company with the aim of enhancing its capacity, and, as a result, getting a financial benefit and obtaining an additional income in future” (Urazov, 2003).

However, we do not completely agree with this statement because it is not always suitable to refer financial investments as placements directed to enhance capacity of other companies because investments made in securities are called financial investments and among them debt securities (bonds, treasury bills, etc.) do not always result in enhancing capacity of the companies which have issued these securities.

The textbook “Accounting” by professor A.A. Karimov defines financial investments as “Financial investments are the assets disposed by the company and aimed at getting profit (such as interest, royalty, dividends or rent) and raising the value of the fixed capital” (Karimov and others, 2004).

Domestic scientists I.K. Ochilov and J.E. Kurbanbayev gave the following definition to the term “financial investments”: “Financial investments are assets owned by the economic entity, such as interest, royalty, dividends or rent, used to get receipts” (Ohilov, 2009).

According to National Accounting Standard №12, the aim of financial investments is increase of the invested capital or getting another profit, but above-mentioned statements focus only on the point of capital gains, but in some extent they neglect the possibility of getting non-economic benefit.

Summarizing the views of scientists-economists and requirements of the internatonal standards, in terms of the accounting, in our opinion, investments can be defined as it follows: “Investments are assets placed in other economic entities with the aim of getting either economic or non-economic benefit and the rights for these assets". We believe that these investments should be made in the conditions of guaranteed increase in the cost of capital because in conditions of the market economy the level of risks inherent to the return and increase of value of the capital spent is relatively high.

In addition, financial investments are made in other companies and thus they can be recognized as external investments. Meanwhile, economic entities use their assets and rights to increase their capital, to obtain economic or non-economic benefits. Such kind of investments is referred in the accounting as capital placements or capital investments. In National Accounting Standard №12 and some literary sources capital investments are spending used by the companies to expand their activities, enhancing their production capacities and other similar purposes. In particular, professor K.B. Urazov defined capital investments as it follows: "Capital investments are the funds spent on the construction of new objects, expansion, reconstruction and modernization of operating objects, as well as purchase of new fixed assets. In Uzbek language dictionary there is the synonym "capital placements" to the "capital investments" term (Urazov, 2004).

In other literary sources capital investments are defined as "Capital investments are the set of expenses on the expansion of fixed assets and production facilities, as well as improvement of their quality structure" (Fayziyev, 2012).

Conclusion. Summarizing the results of the research, these two concepts are similar in terms of the capital placements' structure according to National Accounting Standard №12. However, National Accounting Standard №12 has recognized such kind of these investments as capital placements and has reflected them as capital placements in the financial reporting.

In conclusion, it should be noted that the definition "Capital investments are targeted placements in the private assets with the aim of getting economic and social benefit in future" would contribute to the development of a more comprehensive definition of this concept.

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