

CURRENT PECULIARITIES OF REFORMS OF ACCOUNTING

AT FARM ENTITIES

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Abstract. *This article is devoted to the consideration of issues of arranging accounting and the opportunities to enhance the role of accounting in farm entities.*

Keywords: *income, expenses, accounting and taxable profits, accounting standards, accounting policies, states, business entities.*

Introduction. With the aim creating and ensuring further liberalization of our economy, improving its legal framework, providing modernization and diversification of the production a number of legislative and statutory acts and well thought-out programs have been adopted and are being consistently implemented in our country. In particular, in this regard, the role of farm entities in the development and stabilization of the national economy, as well as their share in GDP is constantly increasing over the years. To achieve the aim of further development of the performance of the farm entities, on October 9, 2017 there was adopted the Resolution of the President of the Republic of Uzbekistan PR-5199 (Resolution, 2017).

This Resolution emphasized such drawbacks in the performance of the farm entities as the fact that the activity of the majority of farms is just limited by raising agricultural crops; inadequate use of facilities used for processing, storage, sale of finished products and rendering services in this area; need for enhancing knowledge and skills of farmers and dehqan entities on cultivation of agricultural products; as well as the fact that the system of providing the farm entities with the necessary information, rendering relevant services and labour relations established within the farm entities do not meet the current requirements.

It should be noted that comprehensive, objective, in duly provided information is required to comprehensively evaluate the activities of agricultural entities and their management which, in turn, will result in the efficient development of the agriculture - an important primary industry of the economy of Uzbekistan. The results of researches and business practice have revealed the advantages of farm entity, which is one of legal forms of activity in agriculture. The farm is referred to a small business entity which the most important feature is to promote the development of peculiarities of the rural population to

entrepreneurship if it is difficult for this population to participate in the activities of a large agricultural entity.

Literature review. It should be noted that often in the economic literature the theory of entrepreneurship is determined as similar with the management theory. All of the statements specified above indicate that the current priority of economic science is to create a theory of entrepreneurial activity. Currently throughout the world there is no universally accepted definition of entrepreneurial activity due to the differences in the positions of the authors, as well as an unequal level and nature of the research developments.

The American educational and scientific literature provides many definitions that specify entrepreneurship and an entrepreneur from economic, political, psychological, managerial and other points of view.

An American scientist, Professor Robert Hizrich (Hizrich and Peters 1992), defines entrepreneurship as the process of creating something new that has a certain value, and an entrepreneur as a person who spends all the necessary time and effort on it, undertakes all the financial, psychological and social risk, receiving money as a reward and satisfaction with the result.

An English professor Alan Hosking (Hosking, 1993) believes that an individual entrepreneur is a person who runs business at his own expense, as well as who is personally involved in managing the business. In addition, he is solely responsible for providing the funds required, and can make decisions on the independent basis. His reward is the profit gained as a result of entrepreneurial activity and the sense of satisfaction that he experiences from running his own business. However, along with this, he must assume the entire risk of losses in the event of bankruptcy of the enterprise.

As noted by D.O. Grubenkova, the concept of “entrepreneur” as a scientific term appeared in the scientific papers of the famous English economist of early VIII century, Richard Cantillon (Grubenkova, 2016). He developed the first concept of entrepreneurship, and in addition, by an entrepreneur he implies a person acting at his risk.

A Frenchman C. Bodo (Bodo K, 1997) conducted a more comprehensive research than R. Cantillon. According to his opinion, an entrepreneur must have certain degree of intelligence, that is, various types of information and knowledge. Another French economist Turgot believed that an entrepreneur should possess not only certain information, but capital as well. He noted that capital constitutes the basis of the entire economy, and profit, which is the goal of the entrepreneur’s success, constitutes the basis for the production development.

A. Marshall (Alfred Marshall, 1993) and his followers paid a particular attention to the organizational function of the entrepreneur highlighting entrepreneurial abilities and strongly believed that not everyone who wants to become an entrepreneur can be a true entrepreneur.

In our opinion, entrepreneurship can be defined as a special type of economic activity which is based on independent initiative, responsibility and innovative entrepreneurial idea.

Analysis and results. Economic activity represents a form of participation of an individual in social production and a particular technique to obtain financial resources in order to ensure life-sustaining activity of himself and his family members. Such a form of participation of an individual in social production is represented by one functional public duty or their combination wherein he acts as:

- the owner of any objects, real estate, etc., which can bring him a steady and guaranteed income;
- an employee who sells his labour force;
- an individual manufacturer;
- a government or municipal employee;
- a manager;
- a pensioner;
- a pupil or student;
- an unemployed;
- a person engaged in defense and security activities;
- a person involved in economically illegal activity.

It should be noted that entrepreneurship is represented as a special type of economic activity, since its initial stage is normally associated only with the idea. The idea, being the result of mental activity, is further subsequently transformed into a material form.

Entrepreneurship is characterized by the compulsory presence of an innovative feature. Manufacturing of a new product, a change in the activity profile, establishment of a new company, a new system for managing production, quality, introduction of new methods of arranging production or new technologies are considered as an innovative feature.

In our opinion, in terms of the relationship between an entrepreneur and a consumer, an entrepreneur belongs to the category of an active subject, and a consumer is primarily characterized by a passive role. Everything that constitutes the subject of the

entrepreneur's activity has the right to be sold only in case of a positive expert assessment of the consumer. Such an assessment is made by a consumer and is represented in the form of the willingness of the latter to purchase a particular product. Moreover, an entrepreneur while planning and arranging his activities, cannot neglect the interests of the consumer.

In order to improve accounting, it is necessary to precisely determine the indicators of accounting information required for conducting the analysis of the activities of entrepreneurial structures, and in what records they should be reflected, how it is advisable to reflect the costs and income of rural entrepreneurs in the accounting system, and determine the cost of their products, allocate and distribute financial outcomes.

Significance of accounting the industry specifics, need to quickly respond to constantly changing conditions for the functioning of the farm entities determined by the environment of the commodity and money markets and microenvironment factors justify the importance of generating relevant information and conducting an analysis of economic activity on the basis of a single accounting and analytical support which constitutes the basis for adopting tactical and strategic management decisions.

Furthermore, accounting and analytical support of the activities of the farm entity implies a set of processes for collecting, registering, summarizing the farm's accounting information, depending on the legislatively established or selected accounting system for a certain production cycle and comprehensive analysis with the application of certain methods and techniques based on this information. Accounting and analytical support of the farm entity enables to efficiently implement the basic management functions, interconnected elements (stages, blocks of operations) of a single process - accounting and reporting, control and regulation, analysis and planning. Herewith, accounting is the most important source of information for various management entities that use it with other data, process and make adequate management decisions that are appropriate to the current economic situation.

Similarly to the division of accounting into financial accounting and management accounting in the scientific and methodological literary sources, it is possible to distinguish two types of analysis: external and internal. The need for management analysis is necessitated, first of all, by the shortcomings of financial analysis and in this regard of the most significant of these shortcomings is its retrospective nature. Depending on the goal pursued, management can be divided into operational, tactical and strategic, and its main task in modern business is to provide the conditions required for the development and adoption of operational, tactical (short-term) and strategic (long-term) management

decisions. We have systematized the types and directions of tactical management analysis and their purpose. The object of accounting in the farm entity is economic and financial activity consisting of business processes: a) the process of procuring material assets; b) the process of selling finished products (Figure 1).

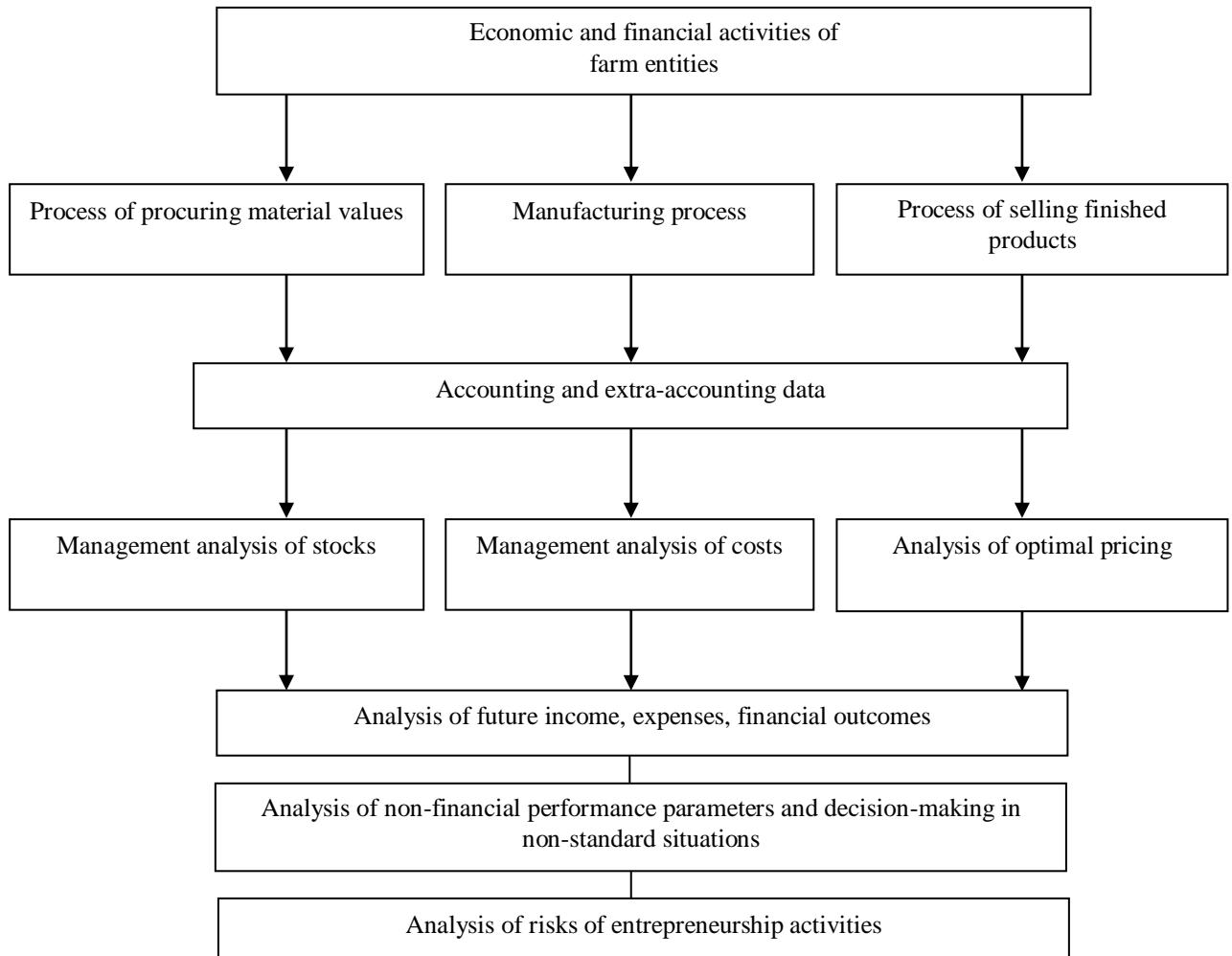


Figure 1. Algorithmic accounting and analytical support of business processes at farm entities

The following analysis methods can be recommended as a tool for managing the procurement process in the farm entity: to optimize the level of current stocks - the EOQ-model, which enables to optimize the proportions between two groups of costs - delivery costs, including transportation and acceptance, and storage costs; to control the movement of stocks ABC - analysis of stocks and suppliers and XYZ analysis, in which stocks are distributed in compliance with the structure of their consumption.

In addition to material costs, activities of farms are associated with the implementation of labour, intangible and financial resources in the production process. In order to control the production process, it is necessary to analyze costs, estimate them and

monitor their behavior, as well as classify the costs into variable costs and fixed costs. In business practice, this approach is rarely used at present time, but farm accountants need to familiarize themselves with the basics of management accounting in order to assess its advantages in the area of additional analytical capabilities.

Under current conditions, the most interesting areas of tactical analysis are presented in Table 1.

Table 1.

Systematization of types and areas of tactical managerial analysis at the farm entity and their significance

Types of tactical management analysis	Directions of use	Aims of the analysis	Tasks to be solved
Management analysis of stocks	Management of stocks	Reducing costs of maintaining (storage) of stocks and their replenishment	Determining at what cost and in what amount to generate production stocks
Management analysis of costs	Management of costs	Determining opportunities to reduce production costs	Determining the impact of factors on the change in the production cost
Analysis of optimal pricing	Management of sales	Determining efficiency of applying various methods to fix the price	Determining at what prices and in what amount to sell the products
Analysis of future income, expenses and financial outcomes	Management of income and expenses	Determining a break-even level of business activity, i.e. critical point	Determining what volumes of sales will ensure break-even performance
Analysis of non-financial performance parameters and decision-making in non-standard situations	Management of the performance of the certain business segments	Choosing the best option from a number of alternative situations	Determining which type of product to manufacture and which type to withdraw from manufacturing; produce by at the local site or procure from outside; whether to launch manufacturing of a new type of product; whether to replace old equipment with the new one.
Analysis of performance risks	Risk management	Minimizing the risks of future activities	Determining what will happen if ...; how changes in certain business conditions reduce the performance risks.

In order to solve these problems, a form of the Book for accounting costs and output of farm products has been developed. This book is focused on applications in the farm in order to generate relevant information on the costs of producing one type of product, which serves as the basis for a management analysis, which distinctive feature is the ability to classify costs in relation to the volume of production and their formation in terms of variable material, other variable and fixed costs within the framework of one production

cycle which will enable farm entities to prepare information for holding both tactical (short-term) and strategic (long-term) management analysis.

The identification of the factors of the economic activities of a farm is determined by the need to establish the time point for registering an economic (business) transaction.

Monetary evaluation, as a rule, is accomplished in compliance with primary documents confirming the facts of the economic activities. Calculation is considered to be a type of the monetary evaluation. Calculation enables to make calculations of the cost of production, activities, works of uncompleted production according to the accounting data. It should be noted that not only identification by time and evaluation is executed at the level of factors of economic activities in accounting, but also the reflection of data on economic processes in the accounts. The adequacy of reflection depends on the accurate recognition of the essence of each fact of the farm entities' activity and the consequences of its impact on the financial outcomes of the performance.

At the farm entities the sales process involves the totality of facts of economic activities and business transactions related to the sale of finished products, collection of receivables, calculation of the costs of financial and household activities, supervision over the volume, range and profitability of products, cash and non-cash receipts from sales.

The sales process is considered to be an object of accounting and it is closely related to the "profit" category. In the managerial activity of a farm producing agricultural products, it is necessary to sort out a cycle of logically interconnected actions caused by the tasks of managing the sale of products and the formation of results (generating profit) (Figure 2).

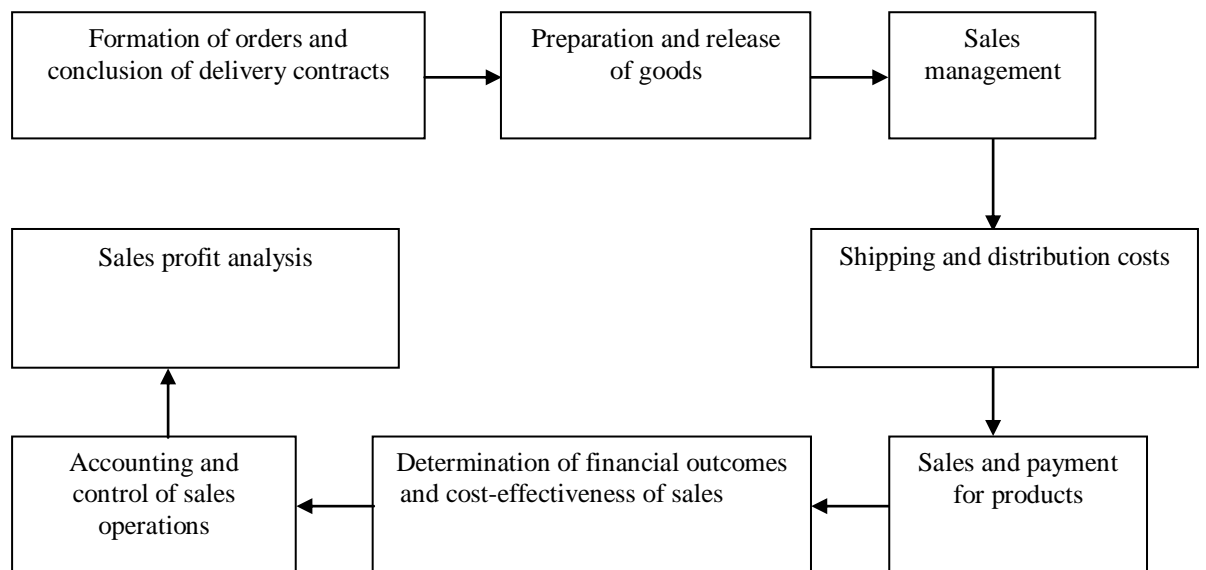


Figure 2. The structure and procedure of the cycle of sale and gaining profit

The amounts of profits in farm entities should comply with the requirements of the market economy, and it, in turn, can encourage not only support in the market where the created products (works, services) are sold. Due to the proceeds received, they reimburse expenses and generate profit. Success in the market is the result of a comprehensive multifaceted activity which is characterized by innovations that also ensure gaining high profit.

It should be noted that nowadays it is crucially important for the farm entities to develop preventive measures that can protect them from various kinds of accidents and reduce the degree of risk. The most efficient way to reduce entrepreneurial risks is to insure certain events with specialized insurance agencies. Moreover, voluntary insurance payments are made from the net profit of the farm entities and therefore have a significant impact on their financial conditions. Evaluation of risk management results is implemented in the process of analysis of both internal and external factors affecting business results.

Nowadays not only the efforts of the team-spirited workforce can make an impact on the amount of profit. In this regard a particular attention is paid to the ability of farmers and to skillfully use the possibilities of regulation of accounting procedures demonstrated in existing statutory acts. The regulatory procedures include the following:

- applied techniques of depreciation of long-term assets (fixed assets, intangible assets);
- criteria for referring objects of accounting supervision as fixed assets;
- procedure for assessing contributions of participants in the charter capital;
- the choice of the method of production stocks assessment;
- the procedure for creating valuation reserves;
- the procedure for referring certain types of costs to the period expenses;
- the composition and methods of distributing overheads (indirectly distributed) costs.

These areas indicate the need to master such concepts as income and expenses, accounting and taxable profit, accounting standards, accounting policies of the government and economic entity (agency). In financial accounting, profit can be calculated, firstly, as the difference between the proceeds from the sale of products (works, services) and their full cost which is traditional for agricultural enterprises. Secondly, profit is calculated as the difference between the proceeds from the sale of products, their productive cost and conditionally fixed costs and in both cases the financial result is represented by the difference from comparing the amounts of income and expenses of the entity (Figure 3).

The excess of income over expenses implies the enlargement of the farm's property, i.e. making profit, and vice versa, the excess of expenses over income implies incurring loss. Thus, the financial outcome obtained by the farm entity for the reporting period in the form of profit or loss, respectively, results in the increase or decrease in the capital of the farm entity. The form of the cost sheet that meets the requirements of management accounting enables to classify costs in relation to the production volume.

When reflecting indicators in accounting registers, it may be complicated to attribute a certain type of costs to either fixed costs or variable costs and the composition and content of cost items are closely interconnected with this fact. The division of costs only into variable and fixed is relatively conventional since the majority of the costs are conditionally fixed and conditionally variable, that is, they contain both a fixed and a variable component and are considered to be mixed costs (semi-fixed and semi-variable). As a result, in this regard there is problem of separating fixed and variable parts from mixed costs which can cause particular difficulties. For calculations to determine the fixed and variable component in mixed costs it is proposed to use the "mini-maxi method". The considered approach, providing comprehensive information on variable and fixed costs, will enable to perform a short-term management analysis of optimal pricing.

The main directions of improving the accounting and analytical support of farm entities are based on the formation of the strategic policy of the farm as a comprehensive detailed plan for achieving its goals based on various areas of strategic management analysis. Properly conducted strategic analysis will facilitate risks avoidance and implementation of risk-free investment projects. In terms of preparation for the investment calculations, we have revealed the value of the investment activity analysis, classified the methods of investment activity analysis, systematized the similarities and differences of strategic and dynamic methods for evaluating investment projects, as well as studied peculiarities of statistical methods for evaluating investment projects (Table 2).

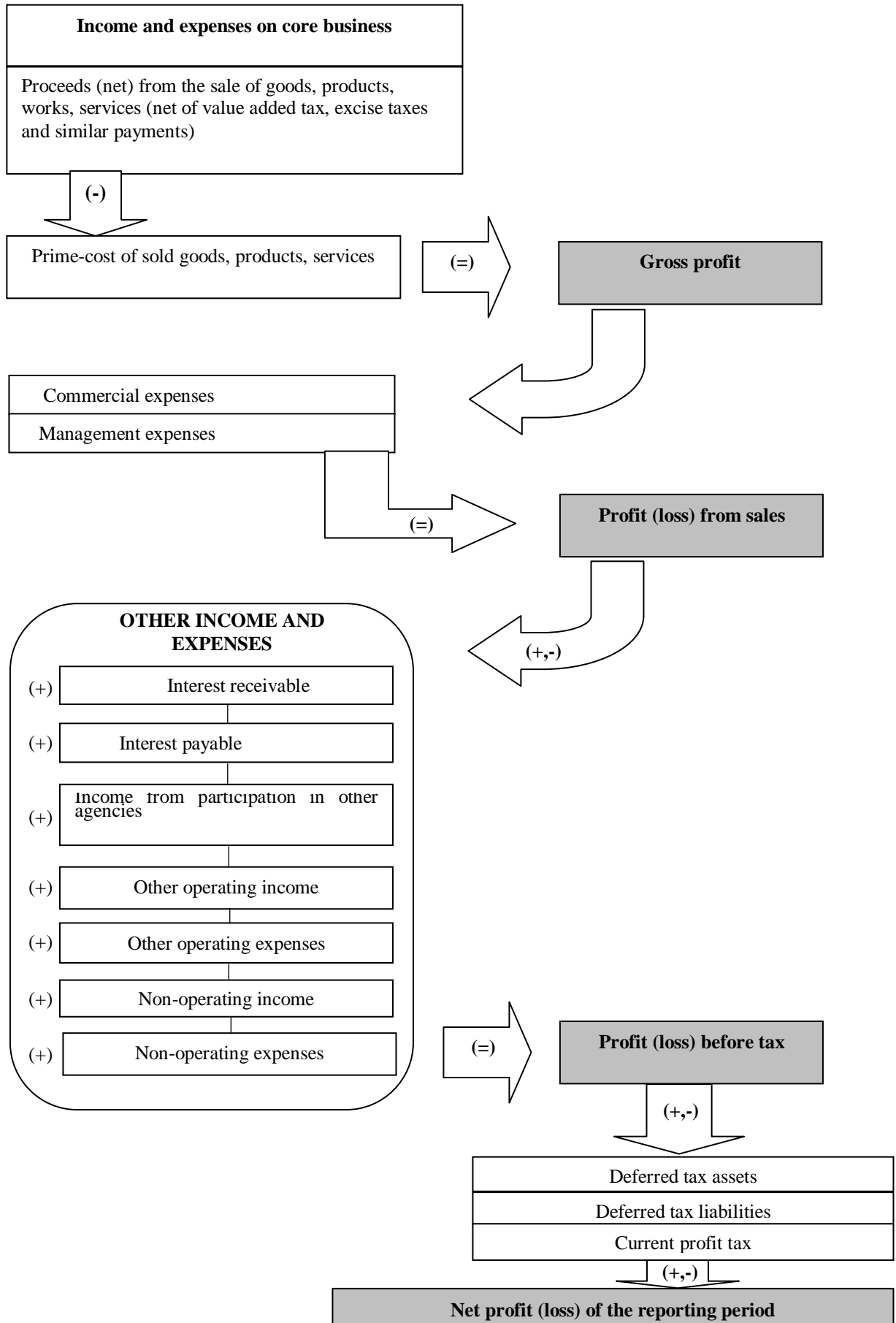


Figure 3. Profit generation in the accounting system of farms

Table 2.**Peculiarities of statistical methods for evaluating investment projects**

Characteristics	Cost comparison method	Profit comparison method	Cost effectiveness calculation method	Payback period calculation method
Conditions of implementation	In case of the same quality parameters of investment objects	In case of the different quality parameters of investment objects	In case of different investment objects in terms of the amount of investment capital and average profit received	In case of ranking alternative investments
The basis of the method	Cost accounting	Cost comparison method	Profit comparison method	Cash flow
Categories taken into accounting	Average costs	Average costs, revenue from sales and profits	Average profit for the period and average invested capital	Depreciation
Profitability criterion	Average costs for the period (overall or per unit of production capacity)	Average profit for the period	Return on investment project	Investment object payback period
Purpose of the method	Cost minimization	Profit maximization	Profitability maximization	Payback period optimization
Investment preference	Least cost effective	Bringing maximum profit	Most profitable	Shorter payback period
Disadvantage of the method	Reveal relative profitability of the investment project		Very high levels of profitability can cause wrong decision-making	Does not take into account the impact of income of recent periods

Conclusion. In conclusion it should be noted that to ensure efficient development of accounting and analytical support for farming activities it is necessary to undertake the following measures: use the technique of developing accounting and analytical support for the farm entities; implement developed Books on cost accounting and farms' output; apply the technique of using the concept of relevant costs to solve various problems in farm

entities; introduce methodological approaches to the analysis of non-financial parameters and risks of farm activities when making decisions in non-standard situations; use methodological approaches and recommendations for conducting strategic investment analysis in farm entities.

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