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The relevance of the formation of cost accounting for loans on the basis of IFRS in business entities

Khushvaqtova Nozanin Nurbek qizi,
Tashkent Financial Institute, Faculty of Accounting (by branches and branches), BH-1
II course magisranti

Announcement: The implementation of International Financial Reporting Standards (IFRSs) will improve the internal management system of business entities through the use of uniform methods of accounting, provide information to stakeholders about the financial condition of the enterprise and increase the company's competitiveness. This article illustrates the relevance of applying the IFRS to our national accounting system today.

Keywords: IFRS, IAS 323, IFRS 24, Borrowing Expenses.

Adoption of the IFRS and submission of reports in accordance with it will create a single financial information exchange environment in the global market. This process, in turn, serves to increase information transparency, accountability, and cost-effectiveness. The application of IFRS will also lead to improved market liquidity, the development of capital markets, the expansion of trading in the stock markets, the inflow of foreign investment into the national market and the improvement of investor protection. It should be noted that in order to achieve these positive results, it is necessary to take measures for the effective implementation of IFRS in the national market.

The study of the experience of European countries in the implementation of IFRS and a fair assessment of the problems and prospects in this process is a great opportunity during the transition of business entities in Uzbekistan to the process of accounting and financial reporting in accordance with IFRS.

The Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to International Financial Reporting Standards" marked a new stage in the transition to IFRS. One of the important aspects of this decision is that it has resolved the issue of recognition of IFRS documents in the Republic of Uzbekistan. Recognition of IFRS documents and identification of companies that apply them requires that the company constantly work on its qualifications of accountants and finance professionals and feel a serious sense of responsibility.

It is important to keep in mind that there will be difficulties in transitioning to international financial reporting standards. Most importantly, it is important to imagine the benefits that will be achieved after these challenges.

In the last 15 years of the transition to IFRS, based on the experience of Europe and the world, the following positive aspects can be observed:

First, increasing information transparency - the transparency feature ensures quality financial information and international comparability. As a result, investors and other market participants will be able to make informed economic decisions.

Second, increased accountability is a feature that reduces the lack of financial information between investors and company executives. As a result, investors will have complete information on the effective management of their investments.

Third, increased economic efficiency - based on the analysis of reports in a single financial language, investors will be able to direct capital internationally and reduce risks.

Fourth, improved market liquidity and reduced capital expenditures - detailed coverage of financial information and international comparability will increase market liquidity and reduce the cost of raising national and foreign capital for companies.

Fifth, the development of capital markets and the expansion of trading in the stock markets - the effective use of free capital and the provision of various sectors of the economy with the necessary capital, play an important role in the development of capital markets. In addition, the formation of the stock market within a

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particular country and the increase in trade is a factor in accelerating economic development. In this case, IFRS-based reporting data serves as the main and reliable source of information for capital market participants.

Sixth, the inflow of foreign investment into the national market and the improvement of investor protection - the development and competitiveness of the national economy, first of all, create the need to attract foreign investment. To do this, it is necessary to create a positive investment climate for foreign investors in the national market and protect the rights of investors. The adoption of IFRS by capital market participants and the public disclosure of financial statements prepared in accordance with it will enable these processes to be carried out more quickly.

Seventh, the accuracy of financial analysts ’forecasts - an environment that ensures the quality and comparability of financial information has a positive impact on the activities of financial analysts and enhances the quality of forecast analysis. These analyzes serve for the effective management of capital and the making of sound economic decisions on the future attraction or distribution of capital.

In short, the transition to IFRS and the successful implementation of IFRS by designated organizations will not only ensure the prospects of the company, but also have a positive impact on the development of all sectors of the economy. To do this, the tasks and challenges facing us must be addressed effectively and in a timely manner.

In view of the above, we take as an example the IFRS No. 23 “Expenses on Debts”. Based on this standard, IFRS 24 has been developed, which uses the following terms:

• Borrowing costs are interest and other expenses incurred by an entity to obtain borrowed funds.

• Qualified asset - an asset that requires a significant amount of time to prepare for use or sale for its intended purpose.

In the period of economic reforms in our country, in the context of economic liberalization, we believe that it is expedient to revise and improve IFRS No. 24 on the basis of IFRS No. 23 (IAS). The main differences of these national and international standards can be obtained as follows: economic processes that do not exist in our national standard.

The cost of borrowing according to the international standard includes:

• Interest expense calculated using the effective interest method as explained in IFRS 39 Financial Instruments: Recognition and Valuation;

• Financial costs in respect of financial lease agreements recognized in accordance with IFRS 17 Leases;

• Exchange differences arising from borrowing in foreign currency are taken into account to the extent that they are calculated as adjustments to interest expenses.

In accordance with paragraph 21 of IFRS 29, the portion of debt expenditures that covers inflation is recognized as an expense during the same period. Paragraph 21 of IFRS 29 defines: The effect of inflation is generally recognized in borrowing costs. Neither the recalculation of debt-financed capital expenditures nor the capitalization of the portion of debt expenditures that covers inflation for the same period is appropriate. This portion of the cost of the loan is recognized as an expense in the period in which the expense is incurred. Assets that qualify according to international standards are:

• inventories
• manufacturing enterprises
• power generation capacity
• intangible assets
• investment property.

Expenses on loans directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of the asset. The costs of such a loan are capitalized as part of the cost of the asset when they are likely to bring future economic benefits to the entity and the costs can be measured reliably.

When an entity applies IFRS 29 “Financial Reporting in Hyperinflationary Economies”, it recognizes the inflation-covering portion of borrowing costs under this Standard as an expense for the same period.

"At the level of borrowing funds, especially for the purpose of acquiring a qualified asset, the business entity must determine the cost of capitalized loans by deducting any investment income on the temporary investment of these loans from the actual costs incurred during the period." recognized international standard.

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From the above considerations, it is clear that in order to improve the cost accounting of loans on the basis of international accounting standards, it is necessary to harmonize several B HXS (IAS) with our own national standards. These include:

• IFRS 39 Financial Instruments: Recognition and Valuation;

• BHXS 17 “Rent”;

• IFRS 29 “Financial Reporting in Hyperinflationary Economies”;

• IFRS 20 includes standards for “Accounting for Government Grants and Disclosure of Public Assistance”.

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