

Improving Reflection Of Information About Cash And Equivalents In The Accounting Balance Sheet On The Basis Of International Standards

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Abstract

One of the most important financial assets in the total assets of enterprises is cash. Sufficient funds are also necessary for the normal implementation of each stage of capital circulation. Implementation of such a complex task requires chronological and systematic management of cash flows.

Timely availability of funds in the enterprise gives the right to purchase or exchange other necessary resources (assets) as a financial asset, as well as the ability to pay the due obligations and carry out transactions. Therefore, this type of financial assets is the basis for exercising the right to timely attract other resources needed by the subject from the market.

Information on cash and cash equivalents presented in the financial statement in the form of an accounting balance sheet is one of the main sources for partners to study and evaluate the financial condition of the enterprise.

The latest changes in the national economy, i.e. the acceleration of the entry of enterprises to foreign markets, the entry of foreign partners into our country, create the need to implement financial reporting information based on internationally accepted standards or practices.

This idea fully applies to the accounting of cash and cash equivalents and the procedure for their reflection in the balance sheet. There are a number of problems in this facility, the optimal solution of which is considered as one of the urgent issues that are waiting for their solution in the financial accounting and reporting system. One of the important measures in this regard is to separate the money and funds equivalent to free and limited description and to reflect them in the accounting balance sheet.

Keywords: Cash and cash equivalents, cash equivalents, total cash, restricted cash, unrestricted cash, balance sheet, financial asset.

Introduction

In the Republic of Uzbekistan, the organization of accounting of business enterprises on the basis of IAS and the preparation of financial statements on the basis of IAS is carried out at the level of state policy. On February 24, 2020 No. PQ-4611 of the President of the Republic of Uzbekistan "On additional measures for the transition to international standards of financial reporting" the tasks to be performed and the measures to be implemented are clearly defined. A number of works in this regard have been carried out

and are being carried out in the republic. The purpose of this is to form a financial accounting and reporting system, the information of which is understandable for foreign and all other partners. This is one of the most important measures to further improve the investment environment in the country.

Cash and cash equivalents are important items in financial accounting and reporting. Information about cash and cash equivalents is important in making business decisions. However, in the process of conducting

scientific research, it became clear that significant changes in the accounting and reporting of money and cash equivalents have not been implemented in the national accounting system. It also became clear that there are a number of shortcomings in this regard. All this has a serious impact on the organization of money and equivalent funds in the accounting of enterprises on the basis of the MFRS and the preparation of information about them in the financial statements based on the MFRS. For the reasons mentioned above, we present our proposals for preparation and presentation of cash and cash equivalents accounting and reporting based on international standards and international experience. The central and important aspect of the topic is the issue of keeping accounts of money and its equivalents in free and limited description and reflecting them in the accounting balance sheet.

Literature review

In the national literature on accounting, the opinions on cash flow are given in almost the same content and order [4, 299 p., 5, 26 p.]. They are mainly taken into account in the form of explanations given in the official documents applicable in our country and related to the field, that is, funds in the cash register, funds in the settlement account, funds in foreign currency, funds in special bank accounts, cash equivalents, funds (transfers) on the road. , it is written that the current assets section of the accounting balance will be reflected in the form of total cash, cash in cash, cash in the current account, cash in foreign currency and other cash and equivalents.

The opinions of the leading scientists of the field of accounting in the CIS countries on the issue of cash flow are not significantly different from the opinions of the scientists of our republic [6, 218 p., 7, 85 p.]. The reason for this is that in the recent history of the CIS countries, the methodological foundations of

the development of the sector were the same, and they began to move to a strict market economy almost simultaneously. Nowadays, the establishment of free market relations in these countries and the strengthening of international economic relations are accelerating the tendency of the countries of the world to move to generally recognized methodologies and standards related to the field. Therefore, the sources of the published field do not differ significantly from each other. The reason for this is that these countries have similar aspects of economic relations, user requirements for financial information and similar aspects.

B. Khakimov, a scientist of our country, expressed a number of important opinions on the harmonization of financial accounting and reporting in the national accounting system with international standards and the use of international experiences in this regard. He expressed his views on the importance of free and limited classification of funds in his articles [9, p. 47-48, p. 10, p. 52-55].

It should be noted that according to international experience, all funds at the disposal of business entities are defined as unlimited and limited according to the possibility of their free use. In this regard, important opinions have been expressed in a number of literatures [8, 174 p. and 316 p.].

One of the objectives of the IAS 32 "Financial Instruments: Presentation" is "...applies to cases where financial assets and financial liabilities must be offset."

This guidance also applies in its entirety to the accounting and reporting of cash and cash equivalents that constitute financial assets. Therefore, information about money and equivalent funds is also studied from the point of view of payment of obligations. In the same way, the reporting of funds based on their unrestricted and restricted description is very important information for the correct accounting of obligations.

Research methodology

The data for the research on this topic were obtained and tested from enterprises operating in the Namangan region of the Republic of Uzbekistan.

Improving the presentation of information on cash and cash equivalents in the accounting balance was carried out using all available methods of accounting. This approach is evident in the propositions presented in Table 3. However, the main aspect here is the classification of money and equivalent funds according to the description of the right to use them. That is, cash and cash equivalents are reflected in the current assets section of the accounting balance in total, free (unrestricted) and limited order.

The form and procedure of the proposed method is not only to form the movement and state of the total funds and its separate elements for a certain period, but also to show how much of the total funds are free (unrestricted) funds and how many are restricted funds.

The content of the proposed method - money as a financial asset shows the right and opportunity to carry out existing transactions for the purchase or exchange of other necessary resources (assets), as well as payment of due obligations. That is, a higher proportion of unrestricted funds in the total amount of funds indicates that the business organization has more rights and opportunities to purchase or exchange other necessary resources (assets), as well as to perform existing transactions to pay the due obligations. Or, a significant amount of funds of a limited description, which are allocated or assigned only for the implementation of specially defined goals, as well as funds of a limited description, which cannot be used freely for various purposes without fulfilling certain conditions, will prevent the business organization from purchasing other necessary resources (assets) or exchange, as well as

shows how little the right and ability to carry out existing transactions to pay the due obligations.

Results

Appendix 2 to the national accounting standard (No. 21) "Accounting chart of accounts of financial and economic activities of economic entities and instructions for its application" describes the accounting of funds in the following accounts and their accounting procedure:

5000-Accounts accounting for funds in the cash register;

5100-Accounts accounting for funds in the settlement account;

5200-Accounts accounting for funds in foreign currency;

5500-Accounts accounting for funds in special accounts in the Bank;

5600-Accounts accounting for monetary equivalents;

5700-Accounts accounting for funds (transfers) on the road.

In all enterprises, a cash account is established and maintained based on the above-mentioned chart of accounts.

As a result of the research, it became clear that the national financial account does not have clear and complete methodological criteria regulating 5600-"Accounts accounting for cash equivalents" and 5800-"Accounts accounting for short-term investments" and their differences. Such a deficiency may affect the quality of the data recorded in these two accounts. For this reason, in order to ensure the accuracy of the differences between receiving accounts 5600-"Accounts accounting for cash equivalents" and 5800-"Accounts accounting for short-term investments", we have developed a systematized order of them, showing the criteria that are the basis for reflecting cash equivalents in the account. Another important point. Cash equivalents are accounted for at nominal value in cash equivalent accounts.

The criteria in table 1 serve to ensure the

correct accounting of accounting transactions equivalents" and 5800-"Accounts accounting and accurate formation of data in accounts for short-term investments". 5600-"Accounts accounting for cash

Table 1

Criteria and their systematized procedure, which are the basis for reflecting cash equivalents in the account

№	Money equivalents and short term investments accounts	Cash equivalents and short-term investment recognition criteria							
		According to the purpose		According to the easy conversion to cash		According to the extinguishing period		According to the risk of changes in value	
		For payments on short-term obligations	Investment or for other purposes	Quick and easy	Not fast and easy	In 3 months or less	1 year or less	Does not change or changes imperceptibly	There is a risk of significant change
1.	5600-Accounts accounting for cash equivalents	+	-	+	-	+	-	+	-
2.	5800-Accounts accounting for short-term investments	-	+	-	+	-	+	-	+

Another problematic issue. In Appendix 1 to the Order No. 140 of the Minister of Finance of the Republic of Uzbekistan dated December 27, 2002, "Rules for Completing Financial Reporting Forms", "Accounting Balance" in Form No.1,"Cash Funds" of business entities are specified in the following order (Table 2) .

As can be seen from the form No. 1, all funds belonging to economic entities are shown in full and in a certain order at the beginning and end of the reporting period. Users use this information for their own purposes. So, what could be the problem here?

Table 2

Accounting balance - extract from form No. 1¹

Indicator name	String code	At the beginning of the reporting period	By the end of the reporting period
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¹"Rules for filling out financial reporting forms" approved by the order of the Minister of Finance of the Republic of Uzbekistan No. 140 of December 27, 2002. <https://lex.uz/docs/821320>

Funds, total (line 330+340+350+360), including:	320		
Cash on hand (5000)	330		
Funds in the current account (5100)	340		
Funds in foreign currency (5200)	350		
Other cash and equivalents (5500, 5600, 5700)	360		

If you pay attention to the information about funds in the current accounting balance, it is not possible to classify the funds available in the international experience according to the limited and unlimited description.

In order to eliminate this shortcoming, we will mention the following proposals in this regard (Table 3).

(Table 3).

The proposed model for reflecting information about cash in the accounting balance sheet

Indicator name	String code	At the beginning of the reporting period	By the end of the reporting period
Funds, total (line 330+340), including:	320		
Funds in the current account and in foreign currency. Cash equivalents (5100, 5200, 5600)	330		
Limited funds (5000, 5500, 5700)	340		

As can be seen from the data of Table 3, the presentation of information on funds in the appropriate lines of the accounting balance in the proposed form and order corresponds to international standards in this regard and the requirements of economically developed countries. We will justify it as follows.

The item on the proposed line 320 can fully reflect the information about the movement and condition of the total funds.

On line 330, "Funds in the settlement account and in foreign currency. The article entitled "Money equivalents (5100, 5200, 5600)" shows information about unlimited classification of money and funds equivalent to it, which economic entities can freely use for various purposes in their business activities. This article is intended to provide users with real information about the amount

of money and equivalent funds that the subject can freely use for various purposes.

The article entitled "Restricted funds (5000, 5500, 5700)" in line 340 is assigned to provide information on money and equivalent funds with a limited classification, which economic entities cannot use freely for various purposes in their business activities, and which are spent only for strictly designated objects.

Also, the information in Table 3 is important in the analysis of funds. First of all, it is a large-scale information base for analysis. The use of information provides an opportunity to study the total cash (320 lines), unrestricted (330 lines) and limited cash (340 lines) of the enterprise at the beginning and end of the reporting period, and their changes. With this, changes in total funds, unrestricted and restricted funds can

be thoroughly analyzed and their results evaluated. The reasons and factors that caused the changes are found and analyzed one by one.

In addition, another aspect of this information makes it possible to more analytically and accurately calculate coefficients that are related to money or show an important aspect of the financial situation that cannot be determined without its participation. For example, such as absolute payment status.

Discussion

Of course, there are aspects that can be discussed about the topic and its improvement. For example, in most businesses, cash in the restricted classification will not have significant weight. Will it be appropriate to introduce this proposal for such enterprises? In fact, the classification of money and its equivalents into free (unlimited) or limited classification does not create complexity in accounting work? and so on.

We present the following reasons for the appropriateness of this proposal. In large enterprises, free and limited information is very important. This importance is relevant both for the enterprise itself and for external partners. On the basis of this classification, the company can accurately determine the current absolute payment situation in the current reporting period (today, month, quarter, six months, year). That is, by analyzing free (unrestricted) funds in relation to obligations that have come due.

These and similar indicators are very important for external partners, including banks, suppliers, buyers, etc. Because knowing the absolute payment status is necessary to make a decision in this regard.

Basarti, if the weight of limited funds in enterprises is not very noticeable or is not important in terms of size, this procedure

cannot be eliminated. Because the information in the current chart of accounts is adapted to reflect cash and cash equivalents in the accounting balance in the proposed option.

We believe that dividing money and cash equivalents into free and limited classifications has a practical need and importance in business activities.

If there is an opportunity to freely use the funds at the disposal of the entity for various purposes of business activity, such funds acquire a free or unrestricted description.

However, if the funds at the disposal of the subject are allocated or assigned only for the implementation of specific goals, and if the funds cannot be freely used for various purposes without fulfilling certain conditions, the possibility of spending this type of funds in different directions of business activity will be limited. Therefore, it is clear that this type of money has a limited description as it is assigned to be used only for the implementation of specially defined goals.

Here is such a final conclusion that in the present era, money and its equivalent funds are not evaluated only according to their value, but the right to use their value is measured and then appropriate decisions are made.

Conclusion

Summing up on the subject, it can be said that the following proposals were made to harmonize the current account of cash and their equivalents in our national accounting system with the standards of the National Institute of Economic Development and the experience of economically developed countries in this regard.

1. The criteria for reflecting monetary equivalents in the account were indicated and they were systematized. This ensures correct and accurate accounting transactions

in accounts 5600-"Accounts accounting for cash equivalents" and 5800-"Accounts accounting for short-term investments".

2. A new procedure based on free (unlimited) and limited description of information on funds in the balance sheet of the national accounting system was developed. As a result of the proposal, the transparency of cash items on the balance sheet will increase. That is, it further expands the possibility of obtaining necessary and useful information about money for all information users. It is easier for foreign investors or other users of external information to understand the information provided on the national balance sheet. Sufficient information increases the possibility of making timely, reliable and well-founded decisions in business activities.

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