

COMPILATION OF INFORMATION ON FINANCIAL STATEMENTS OF SMALL INDUSTRIAL ZONES OF UZBEKISTAN BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Abstract

The article explores some theoretical issues of the organization of compilation of financial statements based on international financial reporting standards. For this, the study performs in-depth review existing studies which explored some theoretical and methodological questions of collecting, classifying and processing the financial statement information, developing the compilation of financial statements information based on the international standards in small industrial zones' accountant. Based on it, the study makes scientific conclusions and practical recommendations on the compilation of financial information of small industrial zones operating in the Republic of Uzbekistan.

Keywords: Financial reporting, national accounting standards, international standards of financial reporting, compilation, transformation, consolidation, outsourcing

INTRODUCTION

The President of the Republic of Uzbekistan Shavkat Mirziyoyev in his plea (request) to Oliy Majlis (Supreme Assembly) marked: "Economy means calculation. In every our business solid calculation should be in the first place". In the enlarged session of Cabinet of the Ministers of the Republic of Uzbekistan also was noticed that "merely 13 percent out of 21 thousand of International standardizing organization's standards is adopted in our country", which determines exceeding actuality of establishing accounting and auditing on the basis of international standards and developing its scientific-theoretical and methodological basics.

Activities, which held to improve the effectiveness of special development zones, industrial parks and small industrial zones, to establish new ones, are of great importance in the field. Nowadays in the country more than 96 small industrial zones are functioning and there is a zero rated renting has been implied for them in using a government immovables (estates) which are located in their own territory. Also subjects who are functioning in small industrial zones are exempted by the Government from all taxes up for two years.

The President Sh.M. Mirziyoyev entrusted a task to launch a credit line at the amount of 50 million US dollars from Reconstruction and developing fund. This amount of money will be directed for buying import facilities and spare parts.

Started from 2013 the law of the Republic of Uzbekistan "About auditing activity" with the National standards of auditing activity (NSAA) and the permission of the committee of International auditing practice under the Federation of International Accountants based on the published in state language international auditing standards states that running auditing activity followed the legislation is possible.

An organized member of the Federation of International Accountants the association of national accountants and auditors of Uzbekistan gained the right to translate and publish the International auditing standards in state language. The crucial step was the publication of the collection by the help and coordination of the Ministry of Finance of Uzbekistan with International Federation of Accountants and its permission which consisted of three volumes named as "Quality control, Auditing, Preview, Other Trustworthiness and International Standards of Related Services"

International standard of related services #4410 (in the new edition) named as "Compiling Agreements" (has been put into effect for accepted compilation engagements on or after July 1, 2013 reports).

Determinant of the scope and authority of application of International standard of related services #4410 named as "Agreements about compiling the financial statements" should be in the context of the "Preface to International Standards on Quality control, Auditing, Preview, Trustworthiness, and Related Services".

REVIEW THE LITERATURE RELEVANT TO THE TOPIC

Some theoretical and methodological questions of collecting, classifying and processing the financial statement information, developing the compilation of financial statements information based on the international standards in small industrial zones' accountant, were studied by foreign economical scientists.

Economical scientist Yu.M. Kostyukevich notes that the compilation is the additional service of auditing.

Professor of economics A.D. Sheremet researched this problem in the view of checking the forecasted financial information.

Scientist and practitioner from Tajikistan F. Bulbulov states that compilation includes making up reports covered fully or partially the financial (accountant) statements as well as collecting, classifying and summarizing other necessary financial information.

FINDINGS

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The forecasting regulates according to the standard of ISA 810 "The Examination of Prospective Financial Information" which adopted by the International Federation of Accountants of checking the financial information in 2000. It will be reasonable to use International auditing standard 810 of «Tasks about giving conclusion on general financial statement» together with its 200 standard of «The main objectives of independent auditor and conducting the auditing according to the international standards of auditing».

In Russian Federation, the 31st Rules (Standard) «Compilation of financial information» are used. (Ratified with decree #696 from 23 September 2002 by the Russian government). The international standard of additional auditing services named as «Tasks about compilation» adopted and established with the application #30 of direction 192n from 24 October 2016 of Ministry of finance of Russian federation. In the Republic of Moldova, the national standard #810 named as «Forecasting learning the financial information» is used.

In the current normative legal documents of the Republic of Uzbekistan, there is no basis for compilation of financial information. The compilation of financial information in the economy of Uzbekistan is a novelty, which is related service that includes using knowledge (according to special professional background, knowledge and ability of auditor) about financial accountant and statement by auditor during examination for collecting, classification and generalization the financial information.

Table 1. Analysis of necessity and reasons, which lead to compilation of financial information

Emerging the necessity for compilation (situation)	Reasons of compilation (necessity)	The object and date of compilation
Preparing, completing, the annual report, submitting the financial statement	Arises due to mispresence of accountant caused his/her illness or firing when accounting of firm is fully conducted, forms of financial statements and registers are chosen but annual report is still to be submitted.	Subject who is to held the document, 10-15 days
Compiling the consolidated financial statement	Highly qualified professional skilled specialists are required for compiling the consolidated financial statement according to currently regulated normative legal documents based on the principles of consolidating accounting reports of interrelated affiliated and subsidiary enterprises, which includes to the group of the company (firm).	Subject who is to held the document, 15-20 days
Transforming national standards of accounting reports into international standards қилиш	<p>1. Prepared and submitted financial statement based on the legislative of the Republic of Uzbekistan transform to international standards (IAS – IFRS). Such compilation service would consist of the following steps:</p> <ul style="list-style-type: none"> - analyzing accountant policy. Documentation; - collecting information for transformation. Documentation; - identifying the necessity for correcting. Documentation; - prepare a detailed report about business transactions thoroughly showing the distinction according to its economical meaning between the current legislation of accounting of Republic of Uzbekistan and financial statements of international practice; - transforming the report. Transforming in the required level the quality and quantity measures to international financial reporting standards (IFRS); - compiling the transformed report. <p>2. Proceeding to Generally Accepted Accounting Principles of the United States (GAAP US);</p> <p>3. Proceeding to worldwide accepted international standards of the other countries.</p>	Subject who is to held the document, within a month
Preparing a managerial accountant report for authorities of the firm	- forming comprehensible and convenient managerial report based on the information of financial report which suits the management goals of the company.	Subject who is to held the document, 5-10 days
Providing expertise of financial information about investment projects	<p>First of all, the problems of expertising the financial information about investment projects are not stated clearly in the international and national normative legal documents as an additional service of auditing. Besides that, because the investment projects according to the their types are not divided into groups makes difficulties for auditing service about setting the contract price, choosing the methodology, issuing the results.</p> <p>Also the audit is not mentioned as a compulsory, necessary element during fulfilling the investment project as well as in the structure of investment activity and in the steps of accomplishing it.</p> <p>There are not any certain standards, regulations, methodological instructions, recommendations about forming the working and report documents of auditors for auditing the investment projects.</p>	

Auditor does not give his/her opinion about the correctness and legitimacy of financial statement during compiling the financial report because in this kind of service the compulsory auditing of financial report is not mentioned, in this case auditor should inform about it in the compiled financial report. The results of researches show us that today's auditing activity consists of two following components: compulsory auditing and voluntary auditing (fulfilling additional (related) services by auditor)

Therefore we should clearly divide and circumscribe the distinction between auditing service and its additional service. In our opinion we can divide the additional and related services of auditing mainly into three large parts:

- auditor checking in the form of general reviewing;
- agreed procedures (conducting an audit by special assignment);
- compilation of financial reports.

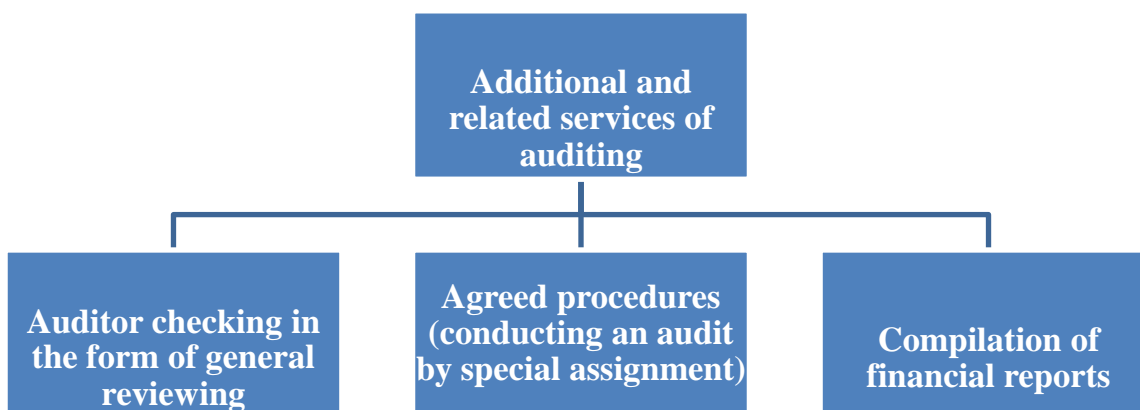


Figure 1. The scheme of additional and related services of auditing

Checking the accounting reports in the form of general reviewing. This type of checking includes the summary of an initial general view and imagination treatments about object. It is determined according to the current legislation, standards and requirements of contract about providing service by executive staff. This checking method basically through inquiries and analytical activities gives opportunity for auditor based on related treatments to determine if there are any doubts about reliability of the financial (accounting) reports, to make sure that they are formed in accordance with the essential requirements.

Agreed auditing procedures. Agreed auditing procedures (conducting an audit by special assignment) is an audit nature treatment related to financial reports and its content and size will

be agreed with the customer. For example, the agreed procedures may be applied by the auditor in the following way:

- specific indicators of financial information;
- related to one of the elements of financial statements;
- generally regarded to accounting reports;
- some accounting registers of accounting;
- managerial accounting and reports;
- other financial information.

Compilation of financial reports. Compilation of financial reports consist of collecting, classifying and generalizing the financial statement information as well as transforming it if it is necessary. International standard of related services #4410 (in the new edition) named as "Compiling Agreements" (has been put into effect for accepted compilation engagements on or after July 1, 2013 reports). Determinant of the scope and authority of application of International standard of related services #4410 named as "Agreements about compiling the financial statements" should be in the context of the "Preface to International Standards on Quality control, Auditing, Preview, Trustworthiness, and Related Services".

Table 2. Reflecting compilation in the second part of the collection of international standards of quality control, auditing, preview, other trustworthiness and of related services

Related services	
4000–4699	International standards of related services
4400	Agreements about accomplishing arrangements due to agreed financial information (Previous)
4410	Agreements about compilation of financial reports (Previous AXC 930)
New and revised standards which have not been launched yet	
3420	Agreements about trustworthiness for presenting report on approximate compilation of financial information which was input into prospect
4000–4699	International standards of related services
4410	Agreements about compilation (in new edition)

One of the key elements of compilation the financial information is fulfilling the certain functions of the organization management, considering programs and services (development and implementation of information systems, sale of goods, accounting, and provision of economic services) as well as considering the performance a certain services of an external organization by its experienced specialists.

As a result, the revenues of the funds spent will increase, the risks will be reduced, and the costs will be reduced, and the opportunity to benefit from the experience of mature specialists. There is a legal basis for such an operation. It is the article 11 of the Law of the Republic of Uzbekistan "On accounting" (new edition) named as "Organization of accounting and reporting", in which the head of the accounting subject has the following right: the possibility of outsourcing the accounting to specialized organization on a contractual basis is stated.

We explored the "Olmazor Small Industrial Zone" of Tashkent City, which was established on the basis of the former "ONIKS" joint-stock company. Its primal shareholder is "Uzeltahsanoat" joint-stock company which owns a 54,92% of all shares, otherwise 72504 shares of the company.

Table 3. The indicators of the financial and economic status of the issuers for 2016 of "Olmazor Small Industrial Zone" Joint-Stock Company of Tashkent

Indicators	Coefficients
1. Charter capital profitability ratio	-0,05
2. Total solvency ratio	1,05
3. Absolute liquidity ratio	1
4. Equity and debt capital ratio	1,62
5. Coefficient of renewal of fixed assets	0
6. Own funds and attracted funds ratio of issuer	0

Source. Data from "Almazar Small Industrial Zone" the joint-stock company.

An auditor reports to the customer about the completion of the financial statement compilation. In report's title or on every page the auditor may have three types of records:

- compilation of financial information has been carried out without conducting an audit;
- compilation has been carried out without conducting an audit or checking by samples;
- compilation has been carried out by conducting an audit or checking the samples;
- a report about accomplishing the compilation of financial information has been prepared and submitted.

The compilation report of the auditor may be either positive or negative. Negative report on compilation is provided in case of violation of the principles of compilation of financial (accounting) reports. For example, it was determined that the management of the business entity did not reflect the acquired fixed assets on the basis of leasing agreement as part of long-term assets. However, according to the lease agreement, in the balance sheet of the lessee

these assets should be recognized in the form of a finance lease which is included in fixed assets. Such a case will impact on property tax, level of profitability, and other economic factors.

CONCLUSION

On the basis of the study, we can make the following scientific conclusions and practical recommendations:

compilation of financial information is a collection, classification and generalization of financial information and it is not a mandatory audit for the auditor, but it is a type of its related services and here it should be understood the use of expert knowledge of auditor in the field of accounting, rather than knowledge of audit.

The components of compilation of financial information are the followings:

- finishing, completing and submitting the annual financial reports of business entities;
- compilation of consolidated accounting financial statements;
- transformation of accounting financial reports compiled according to national standards to international standards;
- preparation of reports to the management of the enterprise on managerial accounting statements;
- expertise of financial information on investment projects;
- rational use of outsourcing services during compilation of financial information;
- that is, involving software developers and computer experts in the field of automation, technologists of the evaluation process, engineers, e-money in conducting e-business, internet shops, e-commerce, experts of e-economy as a whole and preparation of qualitative compilation report.

The condition of rapidly entering into the world market of our country requires our economy to comply with its requirements. It is necessary to accelerate scientific researches in our country. So in this connection, creating and updating national standards in accordance with international financial reporting and auditing standards and by coordination of capacities of the Ministry of Finance, methodological departments of the State Tax Committee, public organizations of accountants and auditors, higher education and research centers is an urgent task on the agenda.

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