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Conceptual Bases of Profit Accounting at Enterprises

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Abstract:

This article is based on the relevance of accounting for the conceptual foundations of income. The importance of implementation in accordance with national accounting standards is disclosed. The methods of the first application in our country have been studied. Recommendations and suggestions are given to accelerate the implementation of the standard "IFRS 1 - The first application of International Financial Reporting Standards"

Keywords: conceptual foundations, globalization, economics, accounting, international financial reporting standards, national accounting standards, transparency, comparability.

IFRS 15 Revenue from Contracts with Customers introduces a new procedure for recognizing, measuring and reporting revenue. Therefore, the organization of calculations in accordance with the requirements of this standard, the presentation of transparent information on income and profit in the financial statements, the most proven and effective methods and techniques, recognition and evaluation criteria, international rules and principles, the methodology for providing reliable, consistent and comparable financial information on revenue , profit, distribution and profit share of the company is a matter of urgent need for all countries, especially for those who are applying IFRS for the first time.

In our country, certain results have been achieved in harmonizing income and profit accounting with IFRS. In particular, in accordance with IFRS 2 “Income from operating activities” and the Regulation “On the structure of expenses and the procedure for determining financial results”, a procedure for accounting for income was developed in accordance with international standards . publication of financial statements based on IFRS for enterprises and other enterprises on a voluntary basis will be introduced . Ensuring the effective implementation of these tasks requires scientific research to radically improve the methodology for accounting for income and reporting profit and loss in accordance with the requirements of international standards in accordance with the requirements of foreign investors and other users of information. Therefore, it is important to describe revenue figures as an element of financial statements and highlight the components in accordance with international standards.

Sources in the industry give the following definition: "The income of an organization is the monetary and non-monetary income received by the enterprise for its production and marketing,

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financial and investment activities [1]. " This source notes that in accounting, depending on the nature and conditions of receipt, income differs from income from ordinary activities and other income.

Income from ordinary activities, in turn, includes: proceeds from the sale of goods, payments for work performed and services rendered, receivables, license payments, rent and royalties.

Other income groups include joint venture income, overdue accounts payable and other types of income.

The study of accounting for income and expenses in sources is divided into the following parts: “1) What is included in the income and expenses of an enterprise in accounting; 2) income and expenses in terms of taxation; 3) principles of accounting for income and expenses of the organization; 4) algorithm for calculating the income and expenses of the company; 5) a program for accounting for income and expenses”.[2]

In our opinion, it is appropriate to describe income as an element of financial statements for accounting purposes.

Based on the study of the above experience, we give the following definition of income as an element of financial statements: Income **-** a key element of financial statements - is the extraction of economic benefits in the form of repayment.

On a conceptual basis, we will be able to formalize the items related to the income component in the table below.

Table 1. Rules for determining the composition of income on a conceptual basis[3]

Article	Content
4.29	The definition of income includes both revenue and other income. Income arises in connection with the ordinary activities of the entity and includes various items such as “sales income”, “incentives for services”, “interest”, “dividends”, “royalties” and “rents”.
4.30	Other income is another item of income that satisfies the definition of income and arises even when it is not related to the ordinary activities of the organization. Such a benefit is characterized by an increase in economic benefit to such an extent that it does not differ in nature from income. Therefore, they are not considered as a separate element in this conceptual framework.
4.31	Other income includes, for example, gains on the disposal of non-current assets. The definition of these incomes includes unrealized income, for example, income from the revaluation of securities in the market and from the increase in the carrying value of long-term assets. When other income is recognized in the income statement, it is usually disclosed separately because information about it is useful in making economic decisions. Profit items are usually expressed as an amount after deducting the corresponding costs.

[1]Accounting for income and expenses. https://class365.ru/uchet-tovarov-uslug/uchet-dohodov-i-raskhodov

[2]The procedure and principle for accounting for income and expenses in the organization. https://nalog.ru/nalog_na_pribyl/rashody_nalog_na_pribyl/poryadok_i_principy_ucheta_dohodov_i_rashodov_v_organizacii/

[3] https://www.minfin.ru/common/upload/library/2014/06/main/kontseptualnye_osnovy_na_site_bez_predisloviya_-_kopiya.pdf_ _

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4.32	Various types of assets can be acquired through income or quality improvement, such as cash, receivables, goods and services received in exchange for shipped goods and services. Profit can also be received as a result of the repayment of obligations. For example, an entity may provide goods and services to a creditor to meet outstanding debt obligations.

The description, classification and components of income in International Financial Reporting Standards, Russian Accounting Standards and National Accounting Standards of Uzbekistan are compared in Table 1.2 below.

Table 2. Comparison of the description and components of income in IFRS, national standards of Russia and Uzbekistan[4]

International Financial Reporting Standards [103]	Regulations of Russia (PBU 9/99) [27]	Regulations on the structure of expenses [28]
Income is report period during assets to come the fall or qualitative improvement or obligations amount decline due to economic benefits an increase that as a result of the plaintiffs making contributions to the equity of the organization depending on the No without private capital an increase takes place. The international conceptual basis of financial reporting income is divided ***into primary income,*** *ie. e.* ***revenue,*** and **other non-core income** , i.e. e. ***gains*** . **I. Receipts** Income occurs in the ordinary course of business 1. Income from sales; 2. Rewards for services; 3. Interest, 4. Dividends, 5. Royalties 6. Rental income	Income of the organization is recognized as an increase in economic benefits as a result of the acquisition of assets (cash, other property) and (or) the termination of obligations, which, in addition to the contribution of participants (property owners), increases the capital of the organization. Income is divided into the following types: **I. Income from ordinary activities:** Income from ordinary activities is income from the sale of goods and services, as well as income from the performance of work, the provision of services.	Incomes received by economic entities as a result of their economic activities are included in the report under the following main sections: **I. Net sales proceeds.** Net sales income is defined as income from the sale of goods (works, services), which is included in the price of goods (works, services) excluding value added tax, excise duty, gasoline, diesel fuel and gas consumption tax. Does not include product returns, customer discounts, etc.
II. Other income: Non-core income, i.e.	**II. Other income:** 1. Receipts for property	**II . Other operating income:** 1. Fines, penalties, arrears and

[4]Author's development based on legal documents

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benefits, are other items that correspond to the description (definition) of income and may or may not arise as a result of the normal activities of the enterprise. Such a benefit leads to an increase in economic benefits and is no different from revenue with this feature. Therefore, they are not considered as a separate element of the concept. This includes: 1. Profit from the disposal of non-current assets; 2. Benefits from the revaluation of solvent securities; 3. Profit from the increase in the book value of long-term assets; 3. exchange rate difference; 4. Benefits from the write-off of accounts payable; 5. Non-refundable financial assistance; 6. Received fines, penalties and interest, 7. Income of past periods, determined during the reporting period; 8. Other benefits may be included. When other income is recognized in the income statement, it is usually recognized separately because information about it is useful in making economic decisions. For each item of profit, the amount less expenses corresponding to this income is reflected.	provided by the subject for temporary use on a reimbursable basis; 2. Income associated with the transfer of patent rights to inventions, industrial designs and other types of intellectual property for a fee; 3. Income associated with participation in the authorized capital of other organizations; 4. Profit received by the organization as a result of joint activities; 5. Income from the sale of fixed assets and other assets, except for cash from the sale of products, goods (except for foreign currency); 6. Interest received in exchange for the use of funds of the organization; 7. Penalties, fines and penalties for violation of the terms of contracts; 8. Assets received free of charge, including under donation agreements; 9. Proceeds for compensation for losses caused to organizations; 10. Profit of previous years, determined during the reporting period; 11. Amounts of overdue accounts payable and deposits; 12. Course differences; 13. Increase in the value of assets (revaluation); 14. Other income; 15. Income from emergencies (natural disasters, fires, accidents, nationalization): the value of materials received from the write-off of	other penalties for violation of the terms of business contracts, as well as income from the recovery of losses collected or recognized by the debtor; 2. Profit of previous years, determined in the reporting year; 3. Rental income from operations not directly related to the production and sale of products (works, services), receipts from kitchens at economic entities, other income as part of income from ancillary services; Income from the disposal of fixed assets and other property of an economic entity; 5. Income from writing off overdue accounts payable and depositor debts; 6. Careful stock assessment. The amount of a careful assessment of inventories is recognized as income from their sale; 7. Income from government subsidies * * - not included in the gross income for tax purposes. 8. Objective financial assistance ; 9. Other operating income **III. Income from financial activities:** 1. Receiving royalties and capital transfers; 2. income from participation in the activities of other economic entities on the territory of the Republic of Uzbekistan and abroad, dividends on shares and bonds, as well as income on securities owned by an economic entity; 3. Income from financial leasing

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	assets that are irreversible and unusable in the future.	of property (receipt of rent); 4. Currency accounts, as well as positive exchange differences on transactions in foreign currency; 5. Income from the revaluation of funds spent (on securities, subsidiaries, etc.); 6. Other income from financial activities. **IV. Extraordinary benefits.** Extraordinary benefits are items of an unforeseen, incidental nature that arise or are expected to result from an event or transaction that is outside the ordinary course of business of the entity.

Based on the comparison results in Table 1, the following conclusions can be drawn:

First, income is defined within the conceptual framework of international standards. This definition is generally accepted. The most important feature of this definition is that it describes income as an element of financial statements. According to him, the following conditions must be met simultaneously: the first condition is recognized as income, when, in addition to contributing additional capital, the founders increase their own capital, the second condition - an increase in assets (cash or other assets) should lead to an improvement or termination of liabilities. The sum of events and processes that ensure the simultaneous fulfillment of these two conditions is recognized as revenue.

We believe that this situation is sufficiently reflected in the definition of income in Russian standards and meets the requirements of the definition given in international standards. However, the definition does not reflect the economic benefits of "improving asset quality".

The definition in IFRS 2 Revenue from Operating Activities needs to be improved. This is because the definition does not reflect the nature of the increase in economic benefits in terms of what they look like, i.e. asset quality (cash or assets) and/or improvement in assets and/or settlement liabilities. In addition, the definition is given to income from operating activities, the definition should have been given to income, because. other income not related to the ordinary activities also meets the requirements of the above definition, so the standard does not consider other income as a separate element of financial statements. In accordance with the conceptual rules of financial reporting, income is an element of financial statements that includes basic income and other income.

Secondly, income is divided into income from ordinary activities in accordance with international standards, i.e. basic income and income not related to ordinary activities. Russian standards follow this classification. These provisions are not properly reflected in the Regulations on the structure of expenditures in our country.

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Thirdly, if we compare the composition of income, by international standards with income, i.e. with basic income related to its ordinary activities 1. Income from sales; 2. Rewards for services; 3. Interest, 4. Dividends, 5. Royalty, 6. Rental income. Russian standards do not follow this rule. It includes income from ordinary activities only from sales and from services rendered and work performed. The following incomes that bring interest, dividends and royalties: 1. Income of the organization for property provided for temporary use on a reimbursable basis; 2. Income associated with the transfer of patent rights to inventions, industrial designs and other types of intellectual property for a fee; 3. Income associated with participation in the authorized capital of other organizations; 4. Income from joint activities is included in other income. This does not meet the requirements of international standards.

In Uzbekistan , the "Conceptual Framework for Financial Reporting" correctly classifies the structure of income and meets the requirements of international standards. However, the structure of other income in the standard is not fully formed. At the same time, the current Regulations on the Structure of Expenses do not meet international standards in terms of some parameters of income classification. In accordance with this Regulation , income received by business entities as a result of their economic activities are included in the report in the following main sections: “1) Net sales proceeds; 2) other income from operating activities (operating income); 3) income from financial activities; 4) Extraordinary income. If we analyze this, then the net income from sales is included in the main income from operating activities” [8]. The so-called "other operating income" is incorrect. It is appropriate to refer to it as "non-core income" or "other income" as described in the Framework for the Preparation and Presentation of Financial Statements. Certain financial income items, including finance leases, royalties, dividends and interest, will need to be included in fixed income. Exchange differences do not depend on the financial policy pursued by the organization. Therefore, we consider it appropriate to reflect this income as part of other income items.

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