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SPECIFIC ASPECTS OF ACCOUNTING FOR LIABILITIES IN JOINT VENTURES ACCORDING TO INTERNATIONAL STANDARDS

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Abstract:

This article discloses the procedure for accounting for liabilities in joint ventures based on international standards. It clarifies the distinctive aspects between specifically valued liabilities and contingent liabilities, their recognition, their treatment in financial accounting and accounting policies, and furthermore, how to account for other related information in the explanatory notes.

Keywords: Liabilities, provision, estimated liability and contingent liability, warranty, service, onerous contracts, restructuring.

Today, the preparation and submission of financial statements based on international standards at the country's large enterprises is becoming a pressing issue. The necessity of transitioning to international financial reporting standards is also determined by the fact that companies and organizations are required to prepare financial statements in accordance with international financial reporting standards to enter global markets, increase our country's export potential, find their place on global commodity and currency exchanges, and obtain loans from world banks. Today, the only way to bring financial accounting and reporting in Uzbekistan to the level of world standards is to study international financial reporting standards and advanced foreign experience, as well as world literature



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and documents in this field, and to implement them taking into account the specifics of our country's economy. This process was facilitated by the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020, No. PP-4611 "On additional measures for the transition to international financial reporting standards" [1]. In order to ensure the implementation of the resolution, issues on the agenda include improving the quality of information reflected in financial statements, aligning their composition and content with the interests of information users, using the most advanced methods and techniques for processing and transmitting information, and implementing international experience and standards, as well as improved standard financial reporting formats that fully comply with IFRS requirements. These changes are being implemented in the practice of joint-stock companies, commercial banks, and large taxpayers. International financial reporting standards serve to increase the transparency and accuracy of information regarding liabilities, which are considered the primary objects of accounting. In particular, in the financial statements of railway enterprises operating in our country, long-term credit debts are increasing from year to year.

Especially in joint ventures, large funds are spent on the purchase of fixed assets, the construction of buildings, the purchase of raw materials, and the use of electricity and labor. This requires large investments from foreign investors and creditors.

As a result, the joint venture, taking out loans and credits year after year, tries to regulate the business process and business activities, which allows for an increase in liabilities in each industry, and these processes are regulated by a standard.

That is:

- IFRS 32 "Financial Instruments: Presentation" applies to the presentation of financial instruments as liabilities or capital and the establishment of principles



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for the mutual settlement of financial assets and financial liabilities, the classification of financial instruments from the issuer's perspective into financial assets, financial liabilities, and equity instruments, the classification of interest, dividends, profits, and losses, and cases where financial assets and financial liabilities must be mutually settled;

- IFRS 37 "Valued liabilities, contingent liabilities, and contingent assets" is used to provide sufficient disclosure in the notes to the financial statements to ensure that the correct recognition criteria and valuation basis are applied and that users understand the nature, timing, and amount of these reserves, contingent liabilities, and contingent assets; liabilities are recognized in accounting according to international standards called contingent liabilities and contingent assets.

Therefore, it is necessary to organize the accounting of liabilities based on international standards and to reflect them in reporting items in a timely manner. In joint ventures, the first section of the statement of financial position consists of assets, and the second section consists of capital and liabilities.

Based on this, liabilities are divided into 3.

1. Specific obligations;
2. Estimated liability;
3. Conditional obligations.

First of all, let's focus on the concept of reserves:

1. Reserves are commodity and material reserves;
2. Reserves - this is an estimated reserve for doubtful debts;
3. Reserves are reserve capital in capital (reserve for revaluation of fixed assets).
4. Reserves are estimated liabilities in liabilities.

Therefore, in order not to confuse these terms, it is advisable to consider reserves in the liabilities part as an estimated liability.

Based on the above, we present the classification of obligations in the table below.



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Table 1. Classification of liabilities in joint ventures based on IFRS

Indicators	Specific obligations	Estimated liabilities	Conditional obligations
Description	The enterprise's existing liability for the transfer of economic resources as a result of past events.	It is an obligation whose maturity date and amount are uncertain.	It is an obligation whose maturity date and amount are uncertain.
Recognition criteria	<p>Factors that must be taken into account when valuing assessed liabilities.</p> <ul style="list-style-type: none"> -the money is temporary • discounting - events expected in the future • legislative acts, changes in technology. <p>- fair presentation does not reduce the obligation, but not to exaggerate the expenses either.</p> <p>If it is not possible to reliably estimate the amount of obligations, the enterprise must disclose the conditional obligation in the notes.</p>	<p>Calculating the expected value.</p> <p>This method is used when assessing large aggregate liabilities, such as the size of assessed liabilities under guarantees.</p> <p>Use the most likely outcome</p> <p>Can be applied when a single obligation is valued.</p>	<p>Calculating the expected value.</p> <p>This method is used when assessing large aggregate liabilities, such as the size of assessed liabilities under guarantees.</p> <p>Use the most likely outcome</p> <p>Can be applied when a single obligation is valued.</p>
Evaluation methods	Long-term liabilities, current liabilities	-calculating the expected value - Use the most likely outcome	-calculating the expected value - Use the most likely outcome
Reflect in account	Long-term or current liability in the statement of financial position section	In the statement of financial position, a long-term or current mandatory statement of maturity section	Explanatory part of the financial statements

The results of the table above serve to express the differences between specific obligations, assessed obligations, and conditional obligations, as well as their reflection in accounting.



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Obligations arise as a result of past events and lead to the occurrence of the following.

Table 2 Types of assessed liabilities in joint ventures by origin

Difference	Legal obligations	Actual (Conclusive) obligations
By definition	A legal obligation is an obligation arising from a contract, legislation, or the practice of applying legislation (for example, a court decision).	Conclusion (true, constructive, traditional) an obligation is an obligation explained by the established practice of activity.
By activity	Guarantee repairs according to a court decision are an optimal estimate of costs.	As a result of environmental problems, expenses for land leveling during natural resource extraction, expenses for leased property, etc.

The above table reflects the differences between the assessed obligations and legal or actual obligations.

If it is not possible to accurately estimate the amount of liabilities, the enterprise discloses the conditional liability in the explanatory note to the financial statements.

To reflect the assessed liabilities in the calculation, it is advisable to use the following table.

Table 3 Criteria for accounting for assessed liabilities in joint ventures

Current	At %	Income	Output
Guarantee	100%	Asset recognized	The obligation is recognized
Highest	50-99%	In the explanatory part	The obligation is recognized
Average	20-50%	Not displayed	In the explanatory part
Minimum	0-20%	Not displayed	Not displayed



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It has the opportunity to recognize a liability valued based on the table above. Criteria and conditions for the recognition of measured liabilities.

- the company has an obligation due to a certain event in the past.
- It can be confirmed with high probability that the fulfillment of this obligation will lead to the outflow of resources that embody economic benefits.
- This obligation can be valued in monetary terms with a sufficient degree of reliability (above 50%).

If at least one of these conditions is not met, the liability is considered conditional and recognized on the balance sheet.

For example, due to the provision of poor-quality services by the clients of the joint venture, a lawsuit for 2,000,000 soums will be initiated.

The railway enterprise reflects this as an estimated liability of 2,000,000 soums for poor-quality service. Since the guarantee for this is 100%, according to Table 3, at the intersection of the guarantee and expense liabilities, the liability is recognized and transferred to the account as follows.

D^t Administrative expenses - 2,000,000 soums

K^t The estimated liability under the court claim is 2,000,000 soums.

Based on the above, the enterprise's financial statements disclose liabilities (long-term and current), estimated liabilities (long-term and current), and conditional liabilities in the explanatory part of the financial statements.

1. An appraised obligation is understood as an obligation for which the date and amount of repayment are uncertain.
2. According to the classification of obligations, it is advisable to consider specific obligations and assessed obligations as conditional obligations.
3. Specific liabilities are reflected in the long-term and current parts of the statement of financial position and include creditors' debts, debts to subsidiaries,



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deferred tax liabilities, advances received, tax liabilities, targeted debts, dividends payable, wages, loans and debts, and other liabilities.

4. Liabilities are reflected in the financial statements as follows: Specific liabilities are accounted for in the "Long-term and current liabilities" section. Factors that must be taken into account when valuing assessed liabilities.

- temporary discounting of money
- events expected in the future
- legislative documents, changes in technology.
- fair presentation
- do not reduce the obligation, but do not overstate the expenses either.

If it is not possible to accurately estimate the amount of liabilities, the enterprise must disclose the contingent liability in the notes to the financial statements.

5. It is advisable to provide an interpretation of the lexical meaning of the word "obligation" that corresponds to modern international requirements and is close to reality. Accordingly, in our opinion, when defining the dictionary meaning of the word "obligation," it is advisable to take a legal and economic approach; firstly, from a legal perspective, an obligation is a debt or legal relationship that arises on the basis of a contract concluded between individuals or legal entities and must be fulfilled; secondly, from an economic perspective, it is advisable to accept it as an economic process resulting from the parties' desire to obtain economic benefit or profit. When adapting liability accounting to international standards, special attention must be paid to the assessed liabilities. In our country's practice, there is no national standard that includes requirements for reflecting valued liabilities in accounting records. Therefore, in order to improve the regulatory framework for accounting, it is advisable to develop a separate national standard for accounting for assessed liabilities.



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Based on the above, the correct reflection of liability accounting based on international standards serves to increase the possibility of accessing more reliable information for creditors and lenders.

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