



# IMPROVING THE ACCOUNTING OF LONG-TERM ASSETS BASED ON INTERNATIONAL STANDARDS

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## ABSTRACT

*This paper explores the necessity and methods for enhancing the accounting practices related to long-term assets in accordance with international standards. It discusses the importance of aligning national accounting systems with global standards to improve transparency, comparability, and reliability of financial information. The study highlights key changes required in the classification, recognition, measurement, and disclosure of long-term assets to ensure compliance with international accounting principles. Furthermore, it emphasizes the benefits of adopting international standards in promoting investment, facilitating cross-border transactions, and enhancing the credibility of financial statements.*

**KEYWORDS:** Accounting Standards, Long-term Assets, Biological Assets, International Financial Reporting Standards (IFRS), Capital Investments, Financial Statements, Agricultural Products.

## INTRODUCTION

In our republic, wide-ranging modernization processes are being implemented in all sectors and branches of the economy in accordance with the Action Strategy adopted by the Republic and the state programs approved based on it. Naturally, it is impossible to carry out modernization processes without the corresponding investments. Indeed, the President of our Republic, SH.M. Mirziyoyev, described investment as "the driver of the economy, or in Uzbek terms, the heart of the economy" in his Address to the Supreme Assembly about the most important priority tasks for 2019, proposing to name 2019 as "The Year of Active Investments and Social Development" with the aim of logically continuing and elevating to a higher level the tasks identified in the state program for "The Year of Active Entrepreneurship, Innovative Ideas, and Technologies" approved for 2018 [1].

The wide-ranging modernization processes being implemented in our republic, and the large amounts of investments being injected into them, are primarily aimed at increasing, renewing, modernizing, and further enhancing the capacities of the main funds (capital) that constitute the economic potential of enterprises. This is directly relevant to the entities within the agriculture sector, which holds an important place in our republic's economy. The entities within this sector have distinctive features compared to other sector entities in terms of the types and composition of their main funds (capital). For instance, the presence of specialized biological assets in the composition of the main funds (capital) of agriculture sector entities and their significant importance in the composition of the sector's main funds (capital) is a clear testament to this.

## LITERATURE REVIEW

It is worth noting that, despite the presence of biological assets in space and time and the significant capital investments being made into them, our national accounting and reporting system has not widely used the concepts of "biological assets" and "capital investments in biological assets" to date. In our accounting and reporting system, these types of assets are reflected as a type of fixed and current assets, and the capital investments made into them are reflected as a type of total capital expenditures. However, in international accounting doctrine and practice, the concept of "biological assets" is widely used. For instance, the main purpose of the International Financial Reporting Standard (IFRS) named "Agriculture," number 41, is to reveal the content of biological assets as objects of accounting and reporting, to establish the main procedures for their recognition, valuation, measurement, and accounting. The term "biological assets" indicates that there are funds or types of property that should be recognized as an accounting object, a financial reporting element, under this name at the discretion of enterprises, which signifies the existence of a type of funds or property that must be recognized accordingly. As a form of funds or property, biological assets fully meet the requirements set out in the "Conceptual Framework for Financial Reporting" of our Republic for the element named "Assets" in the financial report. Specifically, biological assets are considered property that directly has a physical form, has its own value, arises as a result of



certain events, brings economic benefits as a result of its use, and is considered an object of sale and purchase. Unlike other assets, they additionally possess biological characteristics. Biological characteristics refer to birth, reproduction, multiplication, emergence, growth, maturation, decay, death (perishing), and other qualities.

Thus, biological assets are assets of economic entities that possess certain biological characteristics. The definition and description of "biological assets" as objects of accounting and reporting vary across different sources. For example, the International Financial Reporting Standard (IFRS) 41 "Agriculture" defines biological assets as "living animals or plants" [5].

Similarly, definitions are provided in the national standards of some countries. For instance, the draft accounting regulation named "Biological Assets and Agricultural Products" of the Russian Federation defines biological assets as "animals and plants in a state of biotransformation" [6].

The Ukrainian national accounting standard (NAS)30 provides a broader definition of biological assets: "biological assets are animals or plants capable of producing agricultural products or additional biological assets through biological transformations, as well as capable of generating economic benefits in other ways" [7].

The Republic of Moldova's NAS 6 "Features of Accounting in Agricultural Enterprises" offers an even broader definition of biological assets: "biological assets are animals and plants that result from past events, are controlled by the enterprise, and are subject to quantitative and qualitative changes for the production of agricultural products and/or additional biological assets" [8].

Professor V.F. Paliy has given the following definition of biological assets: "biological assets are plants and animals used for agricultural activities, i.e., for the purpose of obtaining agricultural products now and in the future, through sale, exchange, or reproduction" [9].

These definitions highlight the diverse understanding and scope of what constitutes biological assets in different jurisdictions and under various accounting standards, emphasizing their living nature and potential to generate economic benefits through biological transformation or production processes.

From the definitions and descriptions above, the following conclusions can be drawn:

Firstly, biological assets are a type of property belonging to entities involved in the agricultural sector, as well as other sectors that also engage in this activity.

Secondly, biological assets are assets that result in additional biological assets as a result of their cultivation, and can directly be consumed and processed into agricultural products. For example, a cow gives birth to a calf and produces milk. The born calf is considered a new biological asset, and the cow's milk is considered an agricultural product derived from a biological asset. Meat and hide obtained by slaughtering the cow and its calf also fall into the category of products derived from biological assets.

## ANALYSIS AND RESULTS

Agricultural products obtained from biological assets enable the production of new products through further processing. For instance, various dairy products, such as cream, sour cream, cheese, kefir, and cottage cheese, can be produced from the milk obtained from a cow, which is considered a bioactive. Such delights resulting from processing are called finished products. These properties also apply to perennial and annual fruit-bearing and non-fruit-bearing trees.

Therefore, biological assets are living organisms that directly produce agricultural products and enable the creation of new finished products from them. In our national accounting system, assets named "biological assets" are not specifically reflected under a dedicated accounting account named after them, nor in a specific item in the financial statement named after them. The recognition, evaluation, measurement, and accounting of animals and plants recognized as "biological assets" in our republic are determined in various normative-legal documents (refer to Table 1).

The demands and tasks placed on harmonizing our national accounting system with international standards naturally necessitate the adoption of a comprehensive standard for biological assets.

**Table 1. Material-legal documents regulating the accounting of biological assets in the Republic of Uzbekistan**

№	Normative-legal acts	Directions of biological assets are defined
1	Conceptual Basis for Preparation and Presentation of Financial Statements" (approved by Order No. 475 of AV dated August 14, 1998)	Definition of corporate assets, procedures for their identification, assessment, measurement, and accounting identified, they indirectly related to animals and perennial plants recognized as biological assets.
2	Standard No. 1 "Accounting Policy and Financial Reporting" (approved by Order No. 474 of AV dated August 14, 1998)	Definition of corporate assets, procedures for their identification, assessment, measurement, and accounting policy established, processing procedures identified, they are indirectly related to animals and perennial plants recognized as biological assets.
3	Standard No. 4 "Inventory Assets" (approved by Order No. 1595 of AV dated July 17, 2006)	Definition of corporate inventory assets, procedures for their identification, assessment, measurement, and accounting, they are indirectly related to biological assets obtained from animals and perennial plants and their processing results related to acquired finished products.
4	Standard No. 5 "Basic Assets" (approved by Order No. 1299 of AV dated January 20, 2004)	Definition of corporate basic assets, procedures for their identification, assessment, measurement, and accounting identified, they indirectly related to biological assets accounted for as "Worker and Breeding Animals" and "Perennial Plants."
5	Standard No. 6 "Lease Accounting" (approved by Order No. 1946 of AV dated April 24, 2009)	Procedures for accounting for operations related to leasing corporate assets, they directly relate to the leasing of "Worker and Breeding Animals" and "Perennial Plants" as well as leasing transactions themselves.
6	Standard No. 19 "Inventory Organization and Conducting" (approved by Order No. 833 of AV dated November 2, 1999)	Procedures for inventorying all types of corporate assets, they also include procedures for inventorying "Worker and Breeding Animals" and "Perennial Plants" as well as inventorying procedures themselves
7	Standard No. 21 "Accounting Chart of Accounts and Instruction for Its Use for Accounting for Economic Activity of Economic Entities" (approved by Order No. 1181 of AV dated October 23, 2002)	Procedures for conducting a systematic accounting of corporate assets, liabilities, equity, income, expenses, profits, and losses identified, it includes separate accounts for biological assets accounting, such as 0170 "Worker and Breeding Animals," 0180 "Perennial Plants," 0840 "Formation of Main Livestock," 1110 "Livestock for Milk Production," 1120 "Livestock for Wool Production," and specified procedures for their accounting.

Therefore, in our opinion, the national standards mentioned above confirm the order-regulations related to biological assets at the national level under the name “Biological Assets.” The significance of the agricultural sector in the economy of our country, the need for its modernization, the demand for attracting foreign investments into this sector, the presence of interested foreign investors in investing, and the mutual economic benefits of these investments for both us and foreign investors, as well as many other factors, underline the urgency of solving this relevant issue.

In our view, it is important for the adopted national standard to provide the following definitions regarding biological assets and capital investments in biological assets: \*Biological assets are animals and perennial plants owned by enterprises with unique biological characteristics that are managed for the purpose of obtaining, growing, leasing, and economically benefiting from new biological assets and agricultural products. \*Capital investments in biological assets are funds allocated for the acquisition of animals and perennial plants, improvement of their genetic quality, and increase in quantity, directed towards financial resources for the development of the agricultural sector based on the specifics of accounting objects and financial reporting elements.

Our proposed definition, in our opinion, clearly articulates the content and essence of biological assets and the capital investments allocated to them. The accounting of biological assets includes young animals for labor,



production, and fattening, as well as many perennial plants, which today are owned by numerous farms and agricultural enterprises, family farms, joint-stock companies, limited liability companies, and other legal entities. Their number and monetary value are significant.

In our opinion, in the national standard concerning biological assets, the specific groups with their own characteristics should be considered, taking into account the various types of biological assets existing in our country. The list of biological assets mentioned in the 41st issue of the Ministry of Agriculture is, in our opinion, not exhaustive. The list of biological assets specified in the standard does not fully cover the types of biological assets found in the biosphere of our planet, including those in our country.

## CONCLUSION

In our opinion, in order to align our national accounting system with international standards, the following changes should be made to current accounting procedures:

Firstly, it is necessary to consider specific subcategories of “Long-term Biological Assets” and “Short-term Biological Assets” within the composition of fixed and current assets in the accounting balance.

Under this, “Long-term Biological Assets” should include economic breeding animals and perennial plants, as well as long-term assets, such as machinery and equipment, while “Short-term Biological Assets” should comprise livestock and other assets intended for turnover within a year, such as young animals and crops. It is essential to specify the accounting order for their inclusion.

Secondly, it is essential to reconsider the composition of accounts specified for the accounting of biological assets and capital investments in biological assets in the 21st issue of the National Chart of Accounts “Accounting for Agricultural Entities”. This would ensure a more comprehensive reflection of the specific assets and investments related to biological assets present in agricultural entities and other sectors today. Currently, many intensive plantations and separate capital investments are being accounted for under the general category of accumulated capital assets (account 0800), without being separated, while the number of long-term crops is increasing due to lease agreements. Such significant developments necessitate separate treatment in both accounting and reporting in relevant accounts and items.

In our opinion, the proposed suggestions and recommendations above will contribute to the further improvement of accounting for biological assets and their related capital investments in our country, aligning our national accounting and reporting system with international standards.

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