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FEATURES OF GROUPING AND ORGANIZATION OF ACCOUNTING FOR EQUITY CAPITAL AT OIL AND FAT ENTERPRISES

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ABSTRACT

This scientific article presents the theoretical aspects of the grouping and organization of equity capital accounts in oil and fat enterprises, which discusses the theoretical foundations of foreign and domestic economists on the formation of equity capital accounts in oil and fat enterprises. There are also recommendations for the formation of equity capital accounts.

KEYWORDS: ***Oil and fat enterprises, equity capital, authorized capital, added capital, reserve capital, retained earnings, reserves for future expenses and payments.***

INTRODUCTION

The ongoing economic reforms play an important role in stabilizing the financial condition of business entities (joint-stock companies, joint ventures, limited liability companies, enterprises with foreign capital, etc.) in the process of rapid development of economic sectors.

At a time when the process of integrating the country's economy into the global economy is accelerating, the real sector of the economy, including accounting in the oil and fat industry, is also developing rapidly. Today, one of the important directions of improving the accounting of financial resources, including own sources of funds, in business entities (joint-stock companies, joint ventures, limited liability companies, enterprises with foreign capital, etc.) is bringing and improving their accounting and reporting in accordance with international standards. This will attract investment in various sectors of the economy, in particular in the oil and fat industry, including foreign direct investment, the creation and development of joint ventures, expanding sources of financing, improving the quality and efficiency of accounting and control. As a result of measures taken in this direction, enterprises in this sector, together with their own funds, will form foreign capital. This will require improved accounting.

The growing demand for financial information requires the effective use of the information potential of these reports based on the formation of reliable information necessary for financial reporting and improved reporting.

RESEARCH METHODS AND MATERIALS

Equity capital plays an important role in the effective organization of the activities of business entities (joint-stock companies, limited liability companies, small business, family business, farms) operating today in our country. Because equity capital consists of the amount of funds formed by the entity as a result of organization and activity.

Scientists from the CIS countries understand the definition established by economists of the classical school, who traditionally consider the concept of capital as a factor of production in accounting. In this case, according to A. Smith [1], capital is divided into fixed and working capital. In this context, capital is also defined as the subject of accounting. For example, prof. V.F. Paliy also agrees with this approach. He defines capital as "the amount of money spent on economic activity".

Professor V.F. Paliy [2] argues that "accounting should reflect the movement and change of "capital" in the circulation process". This interpretation of capital corresponds to the following balance equation: Assets = Liabilities.

Thus, the balance sheet of assets is studied as a detailed description of the components of capital of business entities, and liabilities as ideas about the composition of sources of capital formation, including sources of equity, which form part of the total capital of an enterprise. The definition of accounting objects is not accidental, according to Y.V.Sokolov, [4] "capital consists of cash, reserves, retained earnings and profit" and speaks of "sources of equity" without a definition of capital.

According to American scholars [4], capital is expressed in the form of economic resources, material goods (inventory, land, buildings and equipment) and intangible rights (patent, copyright and trademarks) held by the owner of the company, which reflects the monetary fund (cash and debt obligations of customers).

In this regard, the economist N.P.Kondrakov noted that "the company's equity consists of authorized capital, added capital, reserve capital and retained earnings". [5]

According to Professor Yu.A.Babaeva, "Equity capital is capital excluding called-up capital (liability), which consists of authorized, added and reserve capital, retained earnings and other reserves (trust funds and reserves)".[6]

According to the economist N.V.Posherstnik, "The source of the formation of the company's own funds is the authorized, added, reserve capital, retained earnings and other reserves. If the authorized capital of the company is formed by the founders, the company will begin to form on its own".[7]

We can also see that during the years of independence, well-known economists of our country have put forward different views on this issue, that is, in determining the composition of authorized capital. In particular, the economist K.B.Urazov noted that "the structure of equity capital consists of the following: that is, equity capital consists of authorized capital, added capital, reserve capital and targeted income" [8].

Professor A.K.Ibragimov in his scientific works states: "Equity capital is the difference between the assets and liabilities of an economic entity. Equity capital may increase or decrease depending on the results of payments to the owner of production and property, additional investments and other activities. Equity capital consists of three parts: authorized capital, added capital, reserve capital" [9].

According to Professor N.Yu.Juraev and others: "The main source of the formation of the company's own funds is the authorized capital, which is the aggregate of the funds invested in the enterprise by its owners. The order of formation of the authorized capital is carried out by the legislation and constituent documents. In particular, the authorized capital of state-owned enterprises reflects the funds allocated by the state for the implementation of its activities at the time of commissioning of the enterprise" [10].

As Professor A.A.Karimov and others note: "In a market economy, newly created enterprises independently form their financial and material resources. Such resources are usually created by the founders of the enterprise by adding their own property as a share in the authorized capital.

The functions of accounting for capital, reserves and retained earnings in enterprises of all forms of ownership are:

- control over the formation and use of authorized capital;
- collection of information on the stages of capital formation and types of shares of the founders of the enterprise;
- ensuring access to information on the status and movement of authorized capital;
- timely accounting of transactions related to the formation of added capital and reserve capital;
- timely accounting and control over the formation of the enterprise's net profit and its distribution". [11]

An analysis of the above literature shows that the structure of equity capital in societies has been shown by most economists to consist of authorized capital, added capital and reserve capital. Another group of scholars notes that the composition of equity capital consists of authorized capital, added capital, reserve capital and retained earnings.

As a result of the study, we see that there are different views of economists and the current regulatory documents in determining the composition of equity capital in business entities. This has led to some controversy over the accounting of equity capital and the conduct of economic relations with them.

We know that equity capital plays a special role in the effective organization of the activities of entities and their financing. Therefore, we consider it expedient to clearly define the composition of equity capital in the subjects. Only then can efficiency be achieved in taking into account the economic relations associated with them.

According to Professor V.F. Paliy, in the process of economic activity there is a constant turnover of capital. It transforms the form of money into a material form, which, in turn, produces a variety of products. As a result, capital becomes cash when launching a new circle by carrying out commodity transactions. This interpretation corresponds to the equilibrium equation [12]:

Assets = Liabilities

According to the economist V.E.Anufriev, in the structure of external sources of financial resources for the enterprise, it is important to attract additional contributions to the authorized capital or

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issue and sell additional shares. For some businesses, one of the external sources of shaping their financial resources may be the unconditional financial assistance or charity provided to them [13] .

Scientists from the CIS countries, I.N.Bogataya, S.M.Bychkova, L.I.Pronyaeva [14] and others, identified the following areas of forming the own funds of a business entity, which are carried out at the main stages:

- analysis of the formation of its financial resources in the enterprise in the past. The purpose of this analysis is to determine the ability to form its own financial resources and its relevance to the pace of enterprise development;

- determine the overall need for own financial resources. Ensuring the maximum amount of own financial resources at the expense of domestic funds;

- estimating the cost of raising capital from various sources. Such an assessment is made on the basis of the main elements of the authorized capital obtained from internal and external sources. The results of such an assessment serve as a basis for the selection of alternative sources of formation of its financial resources, the development of management decisions to ensure the growth of the enterprise's own capital;

- ensuring the maximum amount of own funds (net profit and depreciation costs) from internal sources;

- ensuring the necessary volume of attracting their own financial resources from external sources;

- optimizing the ratio of internal and external sources of formation of their financial resources.

Achieving an effective classification of equity capital is of great importance for determining the composition of equity capital in economic entities and accounting information about them.

RESEARCH RESULTS AND THEIR DISCUSSION

Research shows that the correct classification of the composition of equity capital in business entities, including joint-stock companies, is one of the important factors in the implementation of their calculations and their effective use. Therefore, as a result of our study of the current legislation in joint stock companies and the research of economists, it is expedient to divide the structure of private capital in joint stock companies into four groups (Figure 1):

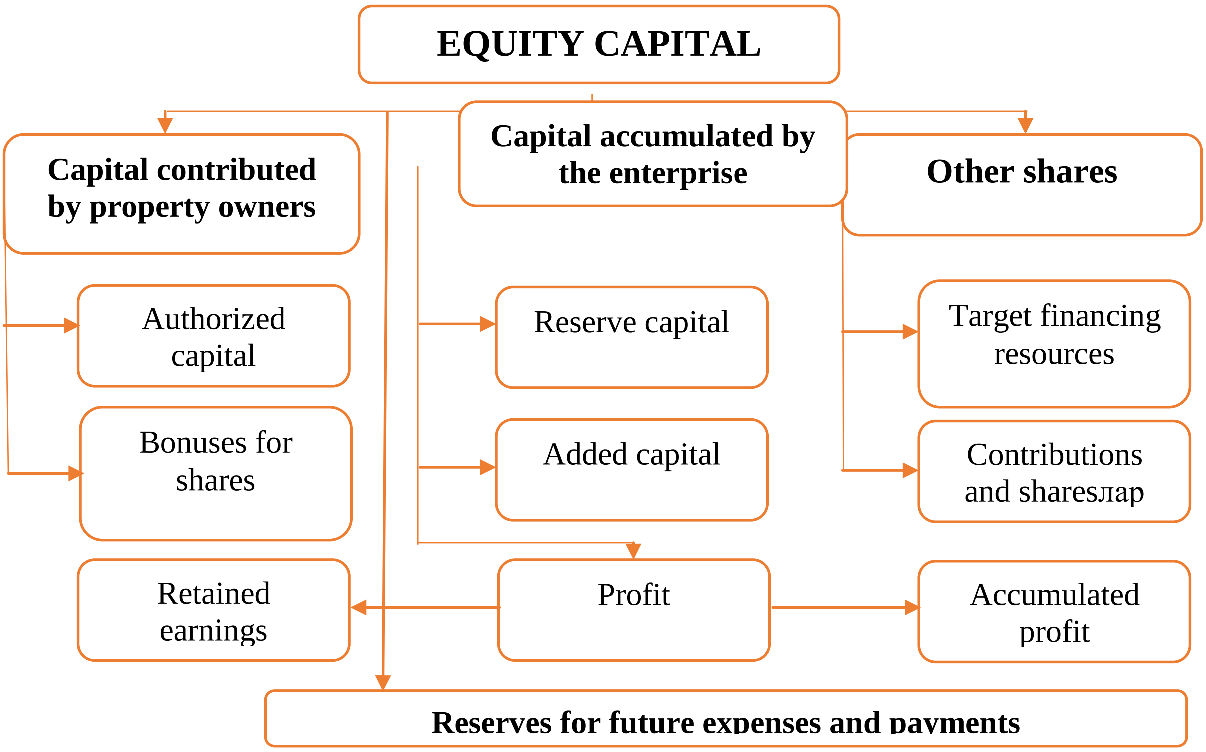

Figure 1. Classification of equity capital[1]

[1] Developed by the author during the research

First, let's focus on the capital contributed by property owners. This type of capital may include the nominal value of ordinary and preferred shares issued at the time of formation of a joint-stock company in accordance with the legislation in order to form the authorized capital, as well as bonuses for shares. It also includes the nominal value of ordinary and preferred shares issued in order to increase the authorized capital as a result of the company's activities.

The next group is called the capital accumulated by the enterprise. This group consists of the capital formed at the stage of implementation of the joint-stock company's activity. The structure of accumulated capital consists of added capital (issue income), reserve capital (revaluation adjustments, reserve capital, free property) and profit (retained earnings, accumulated earnings) in joint-stock companies.

The third group is other shares. Other groups of shares include targeted funding, contributions and shares, and retained earnings.

The fourth group is called reserves for future expenses and payments. Funds of this group are made in order to reflect information on the status and movement of funds reserved in the prescribed manner for the smooth transfer of future expenses and payments to expenses. The organization of reserves of the sums of money of this group, which are added to expenses, is regulated by law in the prescribed manner, as well as by the Regulation "On the structure of costs for the production and sale of goods (works, services) and the procedure for the formation of financial results", approved by the Cabinet of Ministers of the Republic of Uzbekistan from 5 February 1999, No. 54.

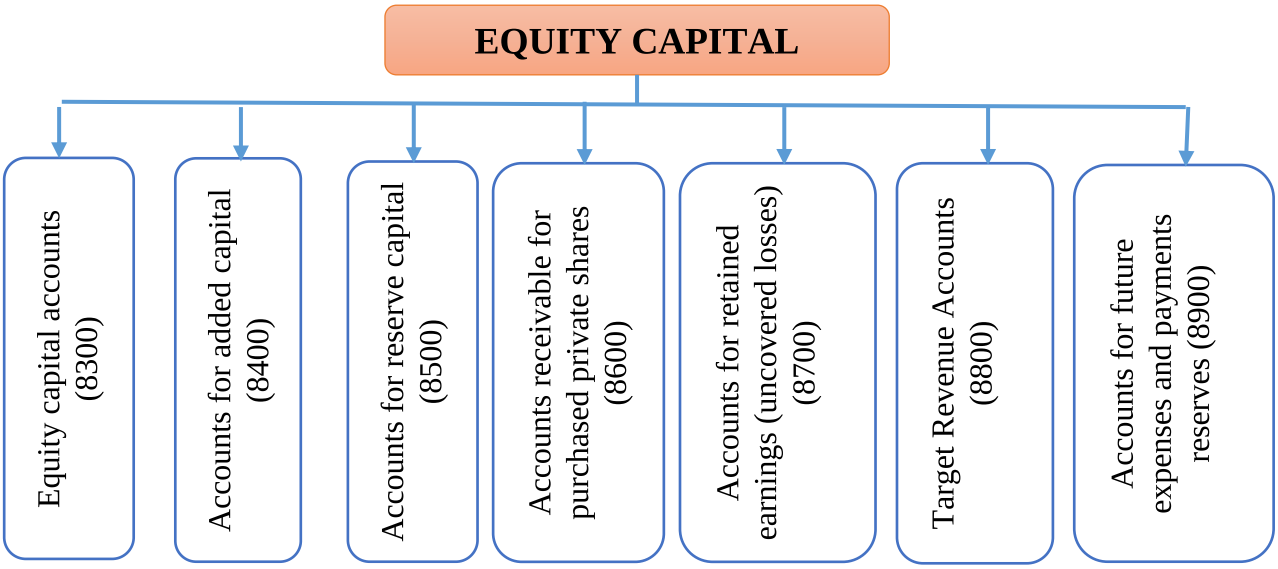

Figure 2. Account classification based on equity capital [2]

[2] Compiled by the author on the basis of National Accounting Standards 21.

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Section 4 of the current National Accounting Standards 21 is called equity capital, according to which the above accounts are assigned for the purpose of maintaining the equity capital structure of entities and their accounting (Figure 2).

CONCLUSIONS

In newly created joint-stock companies, the authorized capital is reflected in the registered amount or the sum of the nominal value of ordinary and preferred shares issued with the aim of forming the authorized capital. In accordance with the current legislation, the amount of authorized capital of any business entity should not exceed the amount specified in the registered constituent documents. An increase or decrease in the authorized capital of an entity may be made only on the basis of the decision of the founders (owners) and only after the relevant amendments are made to the constituent documents.

In accordance with the current legislation, the amount of authorized capital is not reduced in accordance with the amount of shares issued by joint-stock companies operating in the country in order to form the authorized capital, if they are subsequently repurchased by the entity.

In accordance with the National Accounting Standards 21, the following accounting entries shall be made in respect of shares issued by joint-stock companies for the purpose of forming their authorized capital:

Formation of the authorized capital of Asaka Oil and Fat JSC::

Debit account 4610 - "Debt to the authorized capital on the shares of the founders" - 120,000,000 soums;

Credit 8310 - "Ordinary share" account - 100000000 soums;

Credit 8320 - "Preferential share" account - 20000000 soums.

Return of shareholders' share in the authorized capital of the enterprise does not reduce the amount of authorized capital and this transaction is accounted for in the same way as the purchased private shares of the joint-stock company in connection with the cash accounts in the debit of accounts 8610 - "Purchased private shares - ordinary" and 8620 - "Purchased private shares - preferred".[15]

In accordance with the National Accounting Standards 21, the account 8310 "Ordinary shares" is designed to summarize information on the status and movement of share capital, which includes ordinary shares.

Due to the fact that the authorized capital of the enterprise is registered on the account, but the issue is not completed, a separate analytical account is required for each issue of ordinary shares declared (authorized for issue), issued (signed by shareholders) and outstanding, issued (signed by shareholders).

Joint-stock companies may increase their authorized capital by issuing additional shares in circulation or by increasing the nominal value of outstanding shares. The amount of authorized capital of joint-stock companies may decrease as a result of a decrease in the nominal value of shares, the acquisition of part of the shares by enterprises from shareholders.

In order to increase the liquidity of shares, the method of crushing them, ie increasing their total amount by proportionally reducing their nominal value is used. The results of the fragmentation of shares do not affect the amount of shareholders' capital, but only increase the nominal value and amount of shares in new circulation, so accounting entries for these transactions are not made. These transactions should be recorded in the analytical accounting registers opened in the account 8310 - "Ordinary shares".

In accordance with National Accounting Standards 21, account 8320 "Preference shares" is intended to summarize information on the status and movement of share capital issued in the form of preference shares.

Shares are recorded at face value 8310- "Ordinary shares" and 8320-"Preference shares".

Analytical account on accounts 8310- "Ordinary shares" and 8320-"Preference shares" must provide the formation of data on the founders of the enterprise and the stage of capital formation.

In accordance with National Accounting Standards 21, account 8330-"Contribution and shares" is intended to summarize information on the status and movement of authorized capital, which includes the shares of participants in accordance with the organizational and legal forms of the enterprise.

It should be noted that in accordance with the current legislation of the country, except for joint-stock companies, all business entities of organizational and legal form use the account 8330- "Contribution and shares" to account for the established amount of authorized capital. This leads to a negative situation in the formation of equity capital in new production entities, ie enterprises with foreign capital and joint ventures, which are emerging as a result of economic reforms in recent years.

This situation requires an in-depth study of the legal framework for equity capital accounting.

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