



CURRENT STATE AND PROBLEMS OF ORGANIZATION OF RESERVE CAPITAL ACCOUNTS IN ENTERPRISES

Urishev Kahramon Ohunovich

Senior Lecturer, PhD, Accounting, Analysis and Audit Department Andijan Institute of Agriculture and Agro Technologies

Abduvohidov Javlonbek Ilhombekovich,

Master student, Andijan institute of agriculture and agro technologies

ABSTRACT

This scientific article presents the methodological aspects of the sources of formation of reserve capital in enterprises and the theoretical basis for the organization of its accounting, which provides recommendations for improving the accounting of reserve capital in enterprises.

KEYWORDS: *business entities, accumulated capital, reserve capital, retained earnings.*

INTRODUCTION

In business entities, the reserve capital is a separate element of private capital and its calculations are carried out separately in accordance with the legislation.

Paragraph 4 of Article 19 of the current Law "On Accounting" defines the reserve capital as follows, that is, "reserve capital reflects the inflationary reserves formed in the revaluation of long-term assets, deductions from net profit in the amounts provided by law and the constituent documents, as well as the value of property acquired free of charge".[1]

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 reserve capital. In particular, according to economist AA Karimov and others, "reserve capital is formed annually by deductions from net profit until it reaches the amount specified in the company's charter. The reserve capital is used to cover losses incurred by the enterprise, to pay dividends on preferred shares, and to repurchase shares at the request of shareholders. At the same time, the reserve capital accounts are intended for the reserve account, which is formed from the profit account in accordance with the

inflationary reserves arising from the revaluation of long-term assets".[2]

MAIN ISSUE

According to A.K.Ibragimov, "the reserve capital accounts are intended for the calculation of the reserve, which is formed at the expense of profit in accordance with the inflationary reserves arising from the revaluation of long-term assets, as usual in the constituent documents of the business entity". [3]

According to K.B.Urazov, "reserve capital is a type of private capital of an enterprise formed for different purposes and from different sources. This capital is formed mainly from the following sources:

- in exchange for new value arising from the revaluation of existing property;
- at the expense of net profit of the enterprise;
- in exchange for the property received on the condition of non-return"[4]

From these normative documents and the views of economists, we can see that in the business entities operating in the country is the capital formed as a result of enterprise activities, which consists mainly of capital formed from the valuation of long-term assets, net profit and total non-refundable assets.



We will consider the reserve capital of the following CIS countries, in particular, Russian economists, as well as the sources of their formation. According to N.P.Kondrakov, "the reserve capital of the joint-stock company is intended to cover its losses, as well as the purchase of bonds of the company and the repurchase of shares of the company in the absence of other funds". Reserve capital may not be used for other purposes.[5]

Another economist, N.V.Posherstnik, noted that "reserve capital is the insurance coverage of an organization intended to cover losses arising from economic activities". The reserve capital of the Fund serves as a guarantee of the proper functioning of the enterprise and the interests of third parties. The formation of reserve capital can be mandatory or voluntary.

Formation of reserve capital (fund) of joint-stock companies and enterprises with foreign investment is mandatory.

In accordance with Article 32 of the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights" [6] (new edition), it is noted that joint stock companies create a reserve fund in the amount of not less than 15% of the charter capital. It is also stipulated that the reserve fund of a joint-stock company shall be formed annually from the net profit up to the amount specified in the company's charter through mandatory deductions, while the amount of annual deductions shall be stipulated in the company's charter.

CIS countries, in particular the Law of the Russian Federation No. 208-FZ, require joint-stock companies to establish a charter capital of at least 5 percent and to organize it with an annual profit, but not less than 5 percent, in accordance with the legislation of the Russian Federation. It is less than 25% of the authorized capital".[7] V.F.Pali noted in his works that "reserve capital is a part of net capital and is allocated to cover losses and other losses related to net profit. Joint-stock companies and limited liability companies must create a reserve in the amount specified by law in their charters."[8] Revaluation of property, plant and equipment is usually carried out in accordance with the accounting policies of the entity, provided that the government can clearly determine the market value of the asset in order to revalue intangible assets, securities and other long-term investments to market value. In this case, the revaluation should be carried out in such a way that the carrying amount of the asset at each reporting date does not differ significantly from its market value.

If the market value of these securities decreases by the next reporting period, the reserve may cover it by reducing the capital investment under the previous revaluation of these securities. The amount of the decrease in the price in excess of the

reserve established on these securities is recognized as an expense.

The amount of revaluation of fixed assets (according to the decision of the Government) is reflected as an increase in equity.

That is, in practice, differences resulting from the revaluation of property, plant and equipment are made in the following order:

1. To the increased part of the balance value:

D-t 0100- "Accounts for fixed assets" by type of account;

D-t 0700- "Installed equipment" account;

D-t 0810- "Incomplete construction" account;

K-t 8510 - "Adjustments for revaluation of assets" account.

2. To the amount of depreciation of fixed assets in use:

D-t 8510- "On revaluation of assets corrections" account;

K-t 0200- "Depreciation of fixed assets" account.

When adding property to the charter capital of another business entity at a price higher than the book value, the account "Reserve capital" is also used.

Revaluation of current assets, such as inventories, is measured at the lower of cost and net profit in accordance with National Accounting Standards No. 4, Inventories. However, if the revaluation of inventories is carried out, the amount of revaluation is added to the income of the business entity on the measures of their sale (or involvement in production). Only in emergencies (when the value of reserves decreases, when reserves are damaged, when they become obsolete) the cost of inventories decreases and does not affect private capital accounts.

8520 - "Reserve capital" account is used to account for various reserves.

The reserve capital of joint-stock companies is formed in the amount specified in the charter by allocating deductions from the net profit each year:

D-t 8710 - account "Retained earnings (uncovered losses) for the reporting period";

K-t 8510 - "Reserve capital" account.

The reserve capital is intended for compensation of losses, payment of dividends on preferred shares, purchase of shares at the request of shareholders, redemption of corporate bonds, write-off and repayment of debt in the absence of other purposes.

Research shows that their content does not logically match the names of the accounts in the reserve capital structure of private capital. In particular, "Amendments to the revaluation of property", "Free property". In our opinion, as described above, the reserve capital is formed at the expense of retained earnings of the subjects. The rest, ie adjustments to the revaluation of property in the



reserve capital, as well as property received free of charge, are not considered reserve capital.

Therefore, we consider it expedient to divide the reserve capital into the concepts of "accumulated capital" and "reserve capital" and to account for them in separate accounts, and the following author's definition is given.

Accumulated capital is the value of property acquired as a result of the revaluation of long-term

assets as a result of the activities of economic entities and received on a non-refundable basis.

Reserve capital is the capital formed by allocation of deductions from net profit in the amounts provided by the legislation and constituent documents.

Based on the above considerations, we recommend the use of the terms in the table below in accordance with the logical content of the accounts opened under 8500 - "Reserve capital account".

Table 1

Comparative analysis of current and proposed accounts, taking into account the reserve capital

Current accounts	Accounts proposed by the author
8500- "Reserve capital accounts"	8500-"Accounts for accumulated and reserve capital"
Account 8510 - "Adjustments for revaluation of property"	8510 - Accumulated capital account: 8511-Account "Adjustments for revaluation of property"; 8512 - Account "Free property".
8520- "Reserve capital" account	8520- "Reserve capital" account
8530 - "Property for free" account	

Account 8511 "Amendments to the revaluation of property" takes into account the changes that occurred as a result of the revaluation of property. Formation and replenishment of the reserve capital as a result of revaluation of property is reflected in the credit of the account 8511 - "Adjustments for revaluation of property" in connection with the accounts of property that has increased in value as a result of revaluation.

If the value of the property decreases as a result of the revaluation, the reduced amount is replenished by the increase in the value of the property and is reflected in the debit of the account 8511 - "Revaluation of property". The discounted amount in excess of the value of the property in the previous revaluation is recognized as an expense and reflected in account 9430 – "Other operating expenses".

The distribution of the accumulated amount of revaluation of property among the founders is reflected in the debit of the account 8511 - "Amendments to the revaluation of property" in connection with the account 6620 - "Debts on shares to outgoing founders".

Account 8512 "Received property" is intended for accounting of property received from individuals and legal entities, provided that it is not returned by business entities.

The appropriated property is reflected in the credit of the account 8512 - "Appropriated property" in connection with the accounts of the enterprise property. The value of the acquired property is added to the total income of the general enterprise for tax purposes. The procedure for taxation of acquired property shall be regulated by the tax legislation of the Republic of Uzbekistan.

8520- "Reserve capital" account

8520 - Account "Reserve capital" is intended for summarizing information on the status and movement of reserve capital, established by the enterprise in accordance with the constituent documents and the laws of the Republic of Uzbekistan.

Reserve capital funds can be used to cover the losses of the enterprise and for other purposes without other sources of compensation.

The formation of reserve capital is reflected in the credit of the account 8520 - "Reserve capital" in connection with the account 8710 - "Retained earnings (uncovered losses) for the reporting period".

Reserve capital funds can be used to cover the losses of the enterprise and for other purposes without other sources of compensation.

The formation of the reserve capital is reflected in the credit of the account 8520 - "Reserve capital" in connection with the account 8710 - "Retained earnings (uncovered losses) for the reporting period".

CONCLUSION

In summary, as a result of the research, in order to divide this capital into "accumulated capital" and "reserve capital" in the organization of the reserve capital account of private entities, Annex 1 to the National Accounting Standards No. 21 8500 - "Reserve capital accounts" 8500 - "Accumulated and reserve capital accounts" and its composition 8510 - "Accumulated capital" account, 8511 - "Amendments to the revaluation of property" 8512 - Recommendations for the inclusion of the account "Property for free". As a result of the implementation of these recommendations in practice, the business entities have ensured compliance with the norms of formation of reserve capital from retained earnings, and serve to ensure the reliability of accounting for



retained earnings as a result of revaluation of property.

REFERENCES

1. *Law of the Republic of Uzbekistan "On Accounting". (new edition) 14.04.2016.*
2. *Karimov A.A., Islomov F.R., Avloqulov A.Z. Accounting. Textbook. –T.: 2004.*
3. *Ibragimov A., Ochilov I., Kuziev I., Rizaev N., Financial and management accounting. / Study guide. -T.: «ECONOMY-FINANCE», 2008. 451 p.*
4. *Urazov K.B. Accounting and auditing. Study guide. –T.: "Teacher", 2004. - 448 p.*
5. *Kondrakov N.P. Accounting: Textbook - 2nd ed., Revised. And add. -M.: INFRA-M, 2008. -- 720 p. ISBN 978-5-16-003248-1. 122-p.*
6. *lex.uz/docs/2382409. Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights" (new edition). May 6, 2014, No. ZRU-370 (Collection of Legislation of the Republic of Uzbekistan, 2014, No. 19, Article 210, March 21, 2019, No. 03/19/531/2799).*
7. *Posherstnik N.V. Accounting in a modern enterprise: textbook-practical. Benefit 2nd ed., Rev. and add. –M.: Prospect, 2010. - 560 p. ISBN 978-5-392-00887-2. 111-p.*
8. *Paliy V.F., Paliy V.V. Financial accounting: textbook. - 2nd ed., Rev. and add. –M.: ID FBK-PRESS, 2001. 336-p.*