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## THE PLACE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN THE DEVELOPMENT OF THE ACCOUNTING REGULATION SYSTEM OF LEASE RELATIONS

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### **Annotation**

*In a market economy, rental transactions are reaching a qualitatively new level, that is, rental transactions are increasingly becoming diverse, similar to similar operations in economically developed countries of the world. In the article, the authors noted that the lease relations carried out are regulated legally, but however, there are still a number of controversial and contradictory points in the conduct of tax and accounting of lease transactions. In general, the article is devoted to the importance of international financial reporting standards in the development of the accounting regulation system for lease relations, as well as problems related to their accounting.*

### **Keywords**

*Lease, long-term lease, short-term lease, rental facilities, rental entities, lease relations, tenant, landlord, lease agreement, lease payments.*

In the context of economic modernization, business entities, including financial institutions, actively participate in rental relations, which consist in providing new equipment, which plays an important role in the socio-economic sphere of state development [1]. It should be noted that today rent is an important component of the investment policy of enterprises in many countries. Depending on how widespread and developed rental relations are, it is possible to assess the economic development of the country, since it is one of the peculiar indicators of the economic state of the state [2-4].

The role of leasing in entrepreneurial activity is determined primarily by the rental objects themselves, that is, the most active part of fixed assets - buildings, structures, machinery, equipment, vehicles and other means. In the past, rental relationships were established mainly with retailers who rented out their premises.

The number of rental transactions has increased dramatically in recent years; instead of borrowing to purchase fixed assets, the company has the opportunity to use them temporarily or lease property with the right to buy back in the future. At the same time, many enterprises have on their balance sheet a huge amount of material assets, real estate, machinery and mechanisms, some of which are not constantly used in the production process. However, small, especially new enterprises expanding production, cannot afford to purchase expensive equipment, buildings and vehicles for production and administrative activities. In such situations, a rental relationship can be beneficial to both the landlord and the tenant. Since buildings, structures, devices, equipment, vehicles, land plots and other property that do not lose their natural properties during operation can be leased.

The essence of the lease is that the landlord provides the tenant with temporary possession and use of his own property for a fee both during the term of the lease agreement and before and after its validity (under the current lease).

Almost any organization has acted as a tenant or landlord at least once during its existence. This is due to the fact that for some organizations it does not always make sense to acquire property due to unprofitability, for others it makes sense to use their property to generate income by leasing it if its use in other activities is less profitable. In our country, lease agreements have become widespread in the last fifteen years, but still business executives and accountants have many questions in the field of accounting for this type of activity. Since accounting regulations, various regulations, manuals and, of course, standards do not always cover in detail all transactions occurring in the course of economic activity. In his article "Socio-psychological aspects of accounting in a market economy", Doctor of Economics, famous Russian scientist Ya. V. Sokolov and T. O. Terentyeva noted that "The diversity of the representation of economic reality requires the creation of new approaches to both the formation and perception of accounting standards, since many of them are descriptive in nature. The lack of clear and unambiguous recommendations forces the accountant to have his own reasoned opinion on the expediency of using one or another accounting option at the enterprise. The financial indicators of the financial statements that determine the state of the enterprise and the results of its activities, and therefore the reaction of external interested users, depend on how it will interpret the facts of economic life. An accountant should be able to form and use sound professional judgment for practical purposes" [5].

To date, there is an urgent need to assess the conceptual foundations of the standard for accounting for lease relations, including the impact on accounting (financial) statements and the development of methodological provisions for the application of this standard, since the new requirements that will become mandatory for application differ significantly from the rules that existed before the release of the latest IFRS 16 "Lease" standard. Thus, it becomes advisable to study in detail the international standard IFRS 16 "Lease": determining the main reasons for its appearance, identifying the main features, requirements and problems. An analysis of this standard and foreign experience in its application will help to develop a methodology for its application and solve the main issues that arise for an economic entity.

As we know, the reflection of leases in financial statements has often been the subject of discussion in professional circles. The main reasons for the development of new provisions that became the basis for IFRS 16 were insufficient transparency and comparability of accounting and reporting information received, abuse by companies of the advantages of operating leases, and imperfect wording of the first of the standards. It should be noted that the shortcomings of IAS 17 and the disputes arising around it prepared the public for changes and made the adoption of the new IFRS 16 "Lease" necessary and expected.

Despite the fact that IFRS 16 "Leases" discloses in detail the specifics of reflecting transactions related to leased assets in companies' financial statements, it still contains a large number of unresolved provisions. In such cases, great emphasis is placed on professional judgment, which, according to International Financial Reporting Standards, often plays a decisive role in decision-making.

International standards have played one of the most important roles in the development of modern accounting in the Republic of Uzbekistan. As a result of active long-term work in the field of reforming domestic legislation in accordance with IFRS, a number of basic regulatory documents regulating accounting and preparation of accounting (financial) statements were formed. Despite the fact that these documents complied with the requirements of IFRS, they had a number of significant differences that did not allow business entities to actively work in the international market. As a result, it can be concluded that national standards were not enough to maintain the active work of the domestic market. There were still many unresolved issues, the answers to which were missing in the regulatory documents, which made it difficult for both professional accountants and users of financial statements. In order to solve this problem, the Government has officially recognized International Financial Reporting Standards in our country, and

representatives of business and other sectors for the first time received the legal right to use IFRS in their activities.

The long-term accounting reform has made the recognition of IFRS an extremely necessary and long-awaited event for the public, stimulating a new round of development of professional standards.

To date, International Standards have become an integral part of legislation in the field of accounting and reporting. They have changed not only the regulatory framework, but also the philosophy of accounting in the country as a whole. There are several main reasons for this convergence. Firstly, standards close to IFRS will significantly reduce the costs of companies in need of IFRS reporting, both in the transformation of reporting and in parallel accounting. Secondly, reporting compiled in accordance with such standards will be as clear as possible to foreign partners of companies, and will also be more transparent.

In recent years, International Financial Reporting Standards have often been used in the development of new and changing existing standards. However, to date, there is no unambiguous consolidation in the scientific and specialized literature of issues related to the structure of accounting regulation in the country in relation to the "Lease" standard. It is also worth paying attention to the fact that the role of International Financial Reporting Standards in the accounting regulation system in the country has not been fully studied.

Accounting in the Republic of Uzbekistan continues to be reformed in the direction of convergence of accounting rules and reporting with international standards in order to achieve comparability of accounting data of local and foreign enterprises. To do this, it is necessary to identify the main differences between the existing accounting systems and, based on them, develop a concept of national accounting regulations, taking as a basis the principles of international accounting

Lease transactions are multifaceted and complex transactions with a significant number of different conditions, their accounting reflection is associated with the accounting procedure for many other transactions and accounting objects. In market conditions, due to the variety of business transactions related to rental relations, accounting services face a number of unresolved issues on accounting and attribution of rental expenses to the appropriate expense accounts. Depending on the situation, the accountant of the company must decide which accounts should include the amount of rental expenses in specific situations. For example, the head office of the company is located in the city center and in a very accessible, favorable place for trade, and at

the same time the rental costs of this room amount to a large amount. Although the tenant in this situation is in a loss-making state, renting a room in this area, at this place, is appropriate, as it is a kind of advertisement for buyers. And due to such advertising, branches of the shopping center located in other remote regions will be in a preferential position, and the income they receive will cover all unnecessary rental costs in the city center. In this situation, the cost of renting the main retail space should be attributed to advertising expenses, and not to rental expenses.

In the case of rental relations, the agreements between the lessor and the lessee contain two elements: rental and service. For example, renting equipment together with its maintenance services or renting premises together with their security and cleaning services. In such a situation, according to the new IFRS 16, tenants and landlords are required to allocate the service element of the contract and distribute payments under the contract to both elements. Such distribution should be based on independent separate prices for each element of the contract. However, IFRS 16 makes it possible, in order to simplify accounting, not to single out a service element, but to account for the entire contract as a lease, if the service element is an insignificant part of the contract. In our opinion, the accounting procedure for such situations is determined by the lease agreement, as well as the terms of the agreement.

On the topic of this article, we can conclude that in modern economic conditions, rental transactions are reaching a qualitatively new level, that is, their diversity is expanding. It should be noted that business transactions related to leasing are legally regulated, but there are a number of issues of tax and accounting of lease relations that require additional consideration by accountants, analysts and practitioners. It should be noted that International standards have firmly strengthened their position both in the regulatory sphere and in the professional activity of the accountant himself. The growing importance of IFRS in accounting causes the restructuring of the accountant's own consciousness and the development of his professional judgment, which is the basis for making financial and managerial decisions.

Thus, International Financial Reporting Standards have made an irreplaceable contribution not only to the accounting regulation system in the country, but also to the consciousness and working methods of the participants in economic processes themselves.

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