IMPROVEMENT CASH FLOW STATEMENT BASED ON INTERNATIONAL STANDARDS

Professor, DSc, ***Turaev Abdurakhim Nortojiyevich***

Professor of Department of Accounting, Tashkent State University of Economics, a.turaev@tsue.uz

Saatova Nargiza Kayum qizi

master of degree Tashkent State University of Economics

Email : s.nargiza0699 @gmail.com

Annotation: *This article describes how toprepare a cashflow statement using the direct method based on International Financial Reporting Standards. Jn our country, only the direct method is used in the preparation of cashflow statements, so the introduction of the direct method by us will help to increase investor confidence infinancial statements.*

Keywords: *cash, cash equivalents, cash flow statement, direct method, operating activity, investment activity, financial activity, financial statement, receipts from customers, payments to suppliers for goods and services, payments to employees, profit taxpayments.*

Introduction. The main attempt to prepare financial statements for busines s entities is the statement of financial position. An entity shall apply the same accounting policies in all periods covered by its initial financial statements in IFRS. The business entity should not apply other previously applicable IFRSs. A business entity may apply a new IFRS that is not yet in force when the early application of this IFRS is permitted.

Except as otherwise provided, the entity shall include in its initial statement of financial position under IFRS:

(a) recognize all assets and liabilities that are required to be recognized under IFRSs;

(b) IFRSs do not recognize assets and liabilities that are not recognized;

(c) items that are recognized as a single type of asset, liability or equity under the previou s IFRS but recognized as an asset, liability or other type of equity under IFRSs should not be reclassified; and

(g) apply IFRSs in the valuation of all recognized assets and liabilities [1].

The accounting policies used by an entity in its initial statement of financial position under IFRS may differ from the accounting policies used by it on the same date as in the previous IFRS. The resulting adjustments are the result of operations and events that occur before the date of transition to IFRS. Therefore, an entity shall recognize these adjustments in retained earnings (or, if appropriate, in another category of equity) at the date of transition to IFRSs.

Accordingly, it allows you to prepare a cash flow statement after you have prepared the financial position and profit and loss statements.

The need to prepare financial statements in accordance with International Financial Reporting Standards Presidential Decree No. PP-4611 of February 24, 2020 determined on the basis of the decision [2].

Based on this, it is determined that the cash flow statement should be prepared in accordance with international standards.

In international practice, investment focuses on the statement of cash flows, which is one of the forms of financial reporting. This is because of the fact that the more money a subject receives and receives, the more interest they will have.

Literature review. Economists from both foreign and CIS countries have studied the issues of improving the procedure for compiling and submitting cash flow statements. Among them are A.Arens, B.Nidlz, V.Savitskaya, M.Bocharev, K.Lobbek, P.Kamyshanov, A.Ionova and others. Scientists of the republic of Uzbekistan have also achieved some results in the development and implementation of the procedure for compiling and submitting cash flow reports. In this regard, the research of leading economic scientists of the republic of Uzbekistan I.T Abdukarimov, M.K Pardaev, A.S Sativoldiev, A.V Vahobov, M.M Tolakhojaeva, A.K Ibragimov, A.H Pardaev, O.M Kuljanov and others reported. However, these procedures do not disclose the procedure for preparing the statement of cash flows using the direct method in accordance with International Financial Reporting Standards.

Research methodology. This paper provides analysis, grouping, analysis, synthesis, induction, deduction, comparative comparison, data collection, and economic research of selected research literature in order to reveal the procedure for compiling a cash flow statement using the direct method based on International Financial Reporting Standards widely used as mathematics.

Analysis and discussion of results (main part). When used in conjunction with other financial statements, a cash flow statement allows users to assess changes in the entity's net assets, their financial structure (liquidity and solvency) and their ability to influence the amount and timing of its cash flows to adapt to changing opportunities and conditions. provides. Cash flow information is useful in assessing an entity's ability to generate cash and cash equivalents, and allows users to develop models for estimating and comparing the present (present) value of future cash flows for different entities [3].

The cash flow statement allows users to assess changes in the entity's financial position, providing them with information about how much cash was received and how much was spent during the reporting period. The cash flow statement divides cash receipts and payments into three main categories: operating, investing, and financing activities.

The amount of cash flows arising from operating activities - the business entity, without resorting to external sources of financing, to repay debts arising from its operating activities, to maintain its ability to conduct operations, to pay dividends and new investments is a key indicator that reflects the extent to which it has generated enough cash flows to do so. Information about the individual components of cash flows arising in the pre-operating period is useful, among other things, in forecasting future cash flows from operating activities.

Display of cash flows from operating activities [4] (not disclosed in IFRS):

ISSN 3060-4567

19. It is recommended that business entities report cash flows from operating activities using the direct method. The use of the indirect method provides information that may be useful in estimating future cash flows and that is not reflected in the use of the indirect method. When the direct method is used, information on gross cash receipts and the main categories of gross cash payments can be obtained in the following ways:

(a) the business entity's accounting data; or

(b) by adjusting the sales proceeds, cost of sales (interest and similar income for financial institutions and interest expenses and similar expenses) and other items reported in the statement of comprehensive income to:

(i) changes in inventories and operating receivables and payables during the period;

(ii) other non-cash items; and

(iii) other items that generate cash flows from investing or financing activities.

15. An entity discloses cash flows from operating activities using:

15.1.A direct method of disclosing the main types of gross receipts and gross payments;

15.2.Indirect method. Under this method, net income or loss is adjusted for changes in current assets and liabilities, unreliable transactions, as well as income and losses from operating or investing activities.

Applies to all major cases [5].

IFRS: According to IAS 7, information about an entity's cash flows is useful to users of financial statements as a basis for assessing an entity's ability to generate cash and cash equivalents and the need to use those cash flows. The cash flow statement should show cash flows for the period, classified by operating, investing and financing activities.

Consistent categorization:

Non-cash transactions are not included;

Use of the straight or curved method IFRS 7 recommend s the use of the straight method; Allows financial institutions to prepare reports on the basis of NETTO.

Compiling a cash flow statement for business entities does not follow the accrual basis. Therefore, in order to compile a cash flow statement directly, the following indicators should be considered to determine the cash flows from operating activities:

1. Revenue from customers;
2. Payments to suppliers for goods and services;
3. Payments to employees;
4. Income tax payments.

Cash flow statements are primarily based on the statement of financial position and profit or loss statement prepared in accordance with international standards.

Table 1. Applications from ABC's Statement of Financial Position

Source: * data compiled by the authors

Table 2. Applications from ABC Profit and Loss Statement

Source: * data compiled by the authors

Table 3. Additional information for the year

Source: * data compiled by the authors

To determine the above indicators, we cite the formula of each indicator [6]:

1. Receipts from customers.

Decrease (increase) of accounts receivable + Decrease (increase) of advances received from customers = Receipts from customers

Receipts from customers = 698000 + 8000 = 706000

In the above formula, revenue is derived from the profit and loss statement, and the receivable and advances from customers are obtained through the statement of financial position.

2. Payments to suppliers for goods and services.

Payments to suppliers = 457000 + 116000 - 37000 - 3000 - 58000 ++ 34000 - 4 000 -7 000 = 498000

3. Employee payments.

I Employee benefits = wage costs ± decrease (increase) in wage liabilitie s Employee benefits = 58000 - 3000 = 55000

4. Income tax payments.

I Income tax payments = current income tax expense ± decrease (increase) of current tax payable Income tax payments = 18000 + 2000 = 20000

The above formulas determine the net cash flows from operating activities of the cash flow statement. Representation of cash flows on a pure basis:

22. Cash flows from the following operating, investing or financing activities may be reported on a net basis:

A) cash receipts and payments made on behalf of customers, if the cash flows reflect the activities of the customer, not the business entity; and

B) cash receipts and payments for fast-moving, bulky and short-lived items. Examples of cash receipts and payments referred to in paragraph 22 (b) are:

(a) principal amounts due to credit card holders;

(b) the purchase and sale of investments; and

(c) other short-term loans, such as loans with a maturity of three months or less [7].

It is important to disclose cash flows from investing activities because such cash flows reflect how much is spent on resource s to generate future income and cash flows. Only expenses that result in the recognition of an asset in the statement of financial position can be classified as an investment activity. To determine the cash flows of investment activities:

Purchase and sale of fixed assets and other long-term assets; The focus is on buying and selling financial investments.

It is important to highlight cash flows arising from financing activities because it is useful for the parties financing the entity to know in advance the requirement s for future cash flows. Cash flows from financing activities include:

ISSN 3060-4567

Cash proceeds from the issuance of shares or other equity instruments;

Payments to property owners for the purchase or disposal of shares in an entity; Debt settlement;

Interest payments; Dividend payments.

An entity shall disclose in the report the main categories of gross cash receipts and gross cash flows arising from investing and financing activities. Cash flows from operating, investing or financing activities may be reported on a net basis:

(a) cash receipts and payments made on behalf of customers, if the cash flows reflect the activities of the customer, not the entity; and

(b) cash receipts and payments for fast-moving, bulky and short-lived items.

Cash flows from the following activities of a financial institution can be reported on a net basis [8]:

(a) receipts and payments for the receipt and return of deposits with a fixed maturity date;

(b) placement and withdrawal of deposits in other financial institutions; and

(c) the repayment of loans and credits to customers and the repayment of loans and credits.

The sum of the operating, investment and financial activities of a cash flow statement results in a net increase or decrease in cash and cash equivalents. Equity investments are not cash equivalents, except when they are, in fact, cash equivalents, such as in the case of preferred shares purchased shortly before maturity and with a clear maturity (9-B).

The difference between cash and cash equivalents at the beginning and end of the period allows you to determine the effect of changes in cash flows on exchange rates. Cash flows denominated in foreign currencies are presented in accordance with IFRS 21 Impact of Changes in Exchange Rates. This allows you to use an exchange rate that is approximately equal to the actual exchange rate. For example, the weighted average exchange rate for a given period may be used to reflect transactions in a foreign currency or to convert a foreign subsidiary's cash flows from one currency to another. However, in accordance with IFRS 21, a foreign subsidiary is not permitted

ISSN 3060-4567

to use the exchange rate at the end of the reporting period when converting cash flows into a functional currency.

Based on the above, the following is a direct cash flow statement:

Table 4. Cash flow statement, direct method

Source: * data compiled by the authors

Conclusion. IFRS is used in more than 166 countries. In Uzbekistan, the following organizations are required to keep records and report on the basis of IFRS:

More than 2,000 joint-stock companies, commercial banks, insurance companies and large taxpayers;

step-by-step - state-owned enterprises and state-owned enterprises.

These organizations must have at least three IFRS-certified staff in the accounting staff [10].

The principle of accrual is established in the preparation of financial statements, but the principle of accrual is not required for the statement of cash flows. Accordingly, it is advisable to prepare a cash flow statement using the direct method, using extensive international experience. As a result, investors will have more confidence and interest in financial statements.

In determining the operating, investing and financing activities of a cash flow statement, it is appropriate that they consist of:

1. Operating activities:

Sale of products, goods and services; Payments to suppliers of goods and services;

Royalties (patents, copyright fees, etc.), various awards, interest income, commissions and other mcome;

Payments to employees of the enterprise, operating expenses; Decrease in inventories;

Increase in inventories;

Receipt of money on trade and brokerage transactions; Interest paid;

Increase in current liabilities, including income tax not included m investment and financial activities;

Decrease in current liabilities, including income tax not included in investment and financial activities;

Free expenses:

a) depreciation of fixed assets and intangible assets, reduction of natural resources

b) depreciation of debt securities; Free transactions:

a) amortization of interest on debt securities

2. Investment activity:

Proceeds from the sale of land, buildings, equipment, intangible and other long-term assets;

Payments for the purchase of land, buildings, equipment, intangible assets (eg patents) and other long-term assets, payments for capital and development work, as well as payments for land, buildings and equipment created by the enterprise without the involvement of contractors;

Proceeds from the disposal I sale of shares or other debt obligations of other entities (excluding payments for liabilities that are considered cash equivalents or held for sale);

Investments in shares or debt obligations of other enterprises. Contributions to equity (other than payments on cash equivalents or held for sale);

Income from repayment of loans to other enterprises and repayment of debts (excluding interest income from operating activities);

Payments and loans to other companies.

3. Financial activity:

Proceeds from the issue of shares; Payments for privately purchased shares;

Debt proceeds (issued bills, bonds, letters of credit and other short-term and long-term loans and borrowings);

Repayment ofloans and borrowings (excluding interest on operating loans);

Payment of dividends to shareholders and other types of capital distribution. Proceeds from the issuance of shares are payments on financial lease obligations [11].

ISSN 3060-4567

The concept of "cash" has been redefined by economists: "Cash is a type of money that can be used to repay liabilities immediately. Current account balances in financial institutions, cash notes, coins, currencies, cash and cash equivalents." term deposits and cash receipts issued by financial institutions.

Today, some errors are made in the preparation and practice of cash flow statements. This indicates that the report form is not perfectly formed. Therefore, it would be appropriate to make some changes to the Cash Flow Statement. That is, first, in the current reporting format, the entity's cash inflows and outflows are presented in the same reporting period. However, it is advisable to study, analyze and evaluate the various activities of enterprises over several years. It would also be useful to reflect two reporting periods in the form of a statement of cash flows, such as the balance sheet (Figure 1) and the statement of financial performance (Figure 2). Second, in the form of this current report, cash flows are classified into separate subdivisions for each type of activity.

In conclusion, the preparation and submission of a direct cash flow statement will increase the ability of companies to prepare their financial statements in accordance with international standards, and in practice will help to overcome the difficulties in compiling this form and determine the cash flow situation for investors. serves to bring.

SOURCES AND REFERENCES:

1. Educational-methodical complex on the subject "International Financial Reporting Standards" Developers:
Norbekov D.E. -TMI, Associate Professor of "Accounting", i.f.n. Ochilov I.K. -TMI, Associate Professor of "Accounting", i.f.n.
2. 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". https://lex.uz/docs/-4746047
3. International Accounting Standard 7 Cash flow statement
4. https ://fayllar.org/ ozbekiston-respublikasi-v4.html ?page=22
5. National Accounting Standard 9

ISSN 3060-4567

6. https://uz.wikisko .ru/wiki/Cash_flow_statement
7. International Accounting Standard: IAS 7
8. https://tfi.uz/docs/oub/edition/%D0%98.%D0%9E%Dl %87%DO%B8%DO%BB%DO%BE%DO %B2-%D0%8E % DO% A3% DO% 9C-% DO% 9C% D2% B2% DO% A5% DO% Al-% 202019- 2020-14.02.2020.pdf
9. https://ifrs.academy/uz#
10. IFRS Academy
11. https://tfi.uz/storage/doc-pages/78/original/ cc5caf8c621b3f9637accfl 74e20486dc3dablc6.pdf