



## **FORMATION OF FINANCIAL RESULTS AND ITS THEORETICAL-METHODOLOGICAL ASPECTS**

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| <b>A B S T R A C T</b>   | <b>KEY WORDS</b>  |
|--|---|
| <p>Financial statements serve as a vital role into the inner workings of an enterprise or organization. They encapsulate the financial consequences of production, sales, management, and various other activities, culminating in either profit or loss. Analyzing these results through the lens of financial statements forms the bedrock for informed decision-making at all levels. By delving into the nuances of financial results and the guiding principles of accounting standards, this article aims to illuminate the intricacies of financial statement preparation and the diverse reports they encompass. Furthermore, it sheds light on the evolution, structure, and content of International Financial Reporting Standards (IFRS), highlighting its significant role in the global financial landscape.</p> <p>Within Uzbekistan, the application of IFRS has gained significant traction, as evidenced by the growing number of organizations adopting this robust framework. The article examines the various financial reports submitted by IFRS, providing crucial insights into the financial health and performance of these entities.</p> <p>By exploring the compelling advantages of IFRS, including enhanced transparency and comparability, the article underscores its potential to foster a more stable and efficient financial ecosystem. However, it also acknowledges the ongoing challenges and emerging trends within the IFRS landscape, providing context for potential future developments.</p> <p>Ultimately, understanding the intricate language of financial results, as elucidated through the prism of financial statements, empowers organizations to navigate the complex world of finance with greater confidence and achieve sustainable success. This knowledge not only informs critical decisions about their current state and efficiency but also paves the way for strategic planning and robust management practices, ensuring a vibrant and resilient future.</p> | <p>Financial results, profit and loss, types of financial statements, financial position, financial analysis, international standards, GAAP, IFRS, management reporting, accounting, taxes, types of statements, stock market..</p> |

## Introduction

The increase or decrease in funds of an enterprise or organization during a certain reporting period during business activity is called financial results. The formation of financial results plays an important role in the organization of production, and economic and financial activities of the enterprise. To determine the financial results, it is necessary to compare the income with the cost of production. If the income exceeds the expenses, the financial result means a profit has been made. If the income is equal to the costs, then only the costs of production and sale of the product will be covered. If the costs of the enterprise exceed the income, it will suffer, that is, the financial result will be negative, and this, in turn, will harm the development of the enterprise.

Theoretical and methodological aspects of financial results are related to accounting, financial reports, financial analysis, distribution of financial results, and similar topics. They are one of the aspects that perfectly helps in learning of financial results.

In the conditions of the market economy, it is not enough for economic entities to have only information. It is necessary to be able to use this information for processing, drawing conclusions, and making management decisions to improve production efficiency. The main sources of analysis of the company's financial situation are financial statements and accounting. In international practice, accounting is usually called "Financial Accounting", and the report is called "Financial statement" and "Management report". In Uzbekistan, the concepts of "Accounting" and "Accounting report" are used in regulatory documents. The information provided in the financial (accounting) reports is very important. Based on it, the state of financial resources, their rational distribution, the efficiency of use of fixed assets, preservation, and increase, achieved results, as well as correct and timely payment of taxes to the state budget are evaluated.

Reports on the financial status of an organization or institution for a certain reporting period help to use for these purposes:

- To the management of the organization or institution - in making timely business decisions;
- For investors - in the analysis of the investment potential of the enterprise;
- Banks - when deciding on granting loans;
- Other enterprises - in determining risks when concluding large commercial transactions;
- Tax authorities - for taxation purposes.<sup>1</sup>

## The main part

Each country has its own legal and regulatory framework, accounting activities, and different financial reporting standards. Efforts are being made to unify and harmonize financial reporting standards in several countries to facilitate import-export operations and investments, to develop cooperation, including economic relations, and to increase the quality and transparency of financial reporting.

One of the most widely used and recognized financial reporting standards are **International Financial Reporting Standards (IFRS)** issued by the **International Accounting Standards Board (IASB)**, and the **USA's Generally Accepted Accounting Principles (GAAP)**. The financial report submitted for listing on the World Stock Markets is prepared and presented based on the requirements

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<sup>1</sup>G.S. Djambakieva Financial account and report, T.: "ECONOMICS - FINANCE", 2019. 363 p.

of these two standards, including GAAP requirements for listing on the US stock market, and IFRS for other stock exchanges.<sup>2</sup>

The history of the origin of IFRS goes back to the International Accounting Standards Committee (IASC). Initially, International Accounting Standards (IAS) was developed and implemented by the International Accounting Standards Committee (IASC) in 1973, but later in 2001, the International Accounting Standards Board (IASB) was established and the IAS standards were replaced by the IAS.

The main goal of the IFRS is to provide a single set of high-quality, global accounting standards that are principles-based, consistent, and adaptable to a changing business environment. Standard IAS No. 1 of IFRS is related to the presentation of financial statements. This standard guide how financial statements should be prepared and what they should contain. Accordingly, international financial reporting forms include:

1. Balance sheet
2. Income statement
3. Changes in equity statement
4. Cash flow statement
5. Explanatory notes<sup>3</sup>.

In our country, these processes are carried out by the Law of the Republic of Uzbekistan "On Accounting". By Article 22 of the Law of the Republic of Uzbekistan on "Accounting", "Financial reporting consists of systematized information on the financial status of the accounting entity as of the reporting date, the financial result of its activities during the reporting period, and the movement of funds" The corresponding annual financial report consists of the following general forms of reports:

1. Accounting balance – form 1
2. Report on financial results – form 2
3. Statement of cash flows – form 4
4. Report on private capital – form 5
5. Notes, calculations, and explanations.<sup>4</sup>

Accounting of financial results in the Republic of Uzbekistan is important for studying the financial stability of enterprises and business activities. These reports help to identify fluctuations during the activities of enterprises and compare financial results.

## **Balance sheet:**

The balance sheet consists of two equal parts: assets and liabilities (Table 1). Assets are the composition and distribution of the enterprise's capital, which includes the company's profitable property, fixed assets, production equipment, buildings, transport, money in the cash register and accounts, commodity material reserves, receivables, and the like, while the passive shows the sources

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<sup>2</sup> AAKarimov, AKIbragimov, NKRizayev, NMImamova " International Financial Report Standards " T .: " Nihal print", 2021. 7 p.

<sup>3</sup> AAKarimov , AKIbragimov , NKRizayev , NMImamova " International Financial Report Standards " T .: " Nihal print", 2021. 15 p.

<sup>4</sup>Accounting \_ Account "About". UzR Article 22 of the Law No. ORQ-404 dated 13.04.2016 <https://lex.uz/ru/docs/-2931253>

of formation of the assets.<sup>5</sup> Assets must always equal liabilities. If there is an inequality, it indicates that mistakes were made in financial report.

## **Report on financial results:**

This form shows the details of the financial results of the company's activities, and the report divides the data into two periods, that is, it is filled in for the current reporting year and the reporting year of the previous year. (Table 2)

## **Statement of cash flows:**

Information on cash flows and financial transactions during the reporting period is given and the following types of activities determine them:

- Operational activity
- Investment activity
- Financial activity

This type of report is important for studying the financial stability of an enterprise or business.

**Statement of Equity** provides information on a company's equity and its changes. This report helps to control the private capital of enterprises, analyze its changes, and increase their financial stability. Equity is based on the principle of double-entry bookkeeping and is maintained based on this equation:<sup>6</sup>

$$\text{Assets} = \text{Equity} + \text{Liabilities}$$

These forms help in analyzing and developing the financial results of enterprises. Financial reports are aimed at increasing the financial stability of enterprises and ensuring their development in the conditions of new economic relations.

Organization and management of accounting should be based on general rules accepted and implemented by all participants of economic activity. These rules are governed by state-level legislation and regulations. Regulatory documents determine the procedure for regulating, organizing, and maintaining accounting for all enterprises and organizations that are legal entities. As accounting should be carried out by the rules and standards, in the Republic of Uzbekistan, the above-mentioned financial reports are conducted based on the **National Accounting Standards (NAS)** developed by the Ministry, and according to them, annual financial reports are carried out by the following standards

- ❖ Accounting balance **No. 15 NAS**
- ❖ Report on financial results **No. 3 NAS**
- ❖ Statement of cash flows **No. 9 NAS**
- ❖ Report on private capital **No. 14 NAS**<sup>7</sup>

2020 of the President of the Republic of Uzbekistan to provide foreign investors with the necessary information environment and expand access to international financial markets by accelerating the transition to international standards of financial reporting, as well as to improve the system of training

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<sup>5</sup> AAKarimov, JEKurbanbayev, SAJumanazarov " Accounting account " T.: " Economy-Finance ", 2019.

<sup>6</sup> AAKarimov, JEKurbanbayev, SAJumanazarov " Accounting account " T.: " Economy-Finance ", 2019.

<sup>7</sup> Uzbekistan Republic Accounting Report National Standards <https://lex.uz/ru/nsbu>

accounting and auditing specialists according to international standards Decision No. PQ-4611 dated February 24 "On additional measures for the transition to international financial reporting standards" was signed.

In this regard, joint stock companies, commercial banks, insurance organizations, and legal entities included in the category of large taxpayers will organize accounting based on IFRS from January 1, 2021, and prepare financial statements based on IFRS from the end of 2021. Except for legal entities for which earlier terms of transition to IFRS are provided<sup>8</sup>.

This law was developed to provide foreign investors with a transparent information environment and to expand the opportunities for the country's enterprises to enter international markets. To date, the Ministry of Finance of the Republic of Uzbekistan has provided a list of organizations to which the IFRS should be fully applied, which includes a total of 469 organizations: Banks – 32; Insurance companies – 40; Shareholding societies – 170; Large taxpayers - 227<sup>9</sup>.

**Table 1**

| Accounting balance form No. 1                           | Unit of measurement, thousand soms |  |                                    |
|---|------------------------------------|--|------------------------------------|
| Indicator name  | String code                        | At the beginning of the reporting period | By the end of the reporting period |
| 1   | 2                                  | 3  | 4                                  |
| <b>Active</b>   |                                    |  |                                    |
| <b>I. Long-term assets</b>                              |                                    |  |                                    |
| <b>Basic tools:</b>                                     |                                    |  |                                    |
| Initial (reset) value (0100, 0300)                      | 010                                | 955701.16                                | 1349709.53                         |
| Depreciation amount (0200)                              | 011                                | 146843.11                                | 292278.89                          |
| residual (balance) value (lines 010 - 011)              | 012                                | 808,858.05                               | 1,057,430.64                       |
| Intangible assets:                                      |                                    |  |                                    |
| Initial value (0400)                                    | 020                                |  |                                    |
| Depreciation amount (0500)                              | 021                                |  |                                    |
| residual (balance) value (lines 020 - 021)              | 022                                |  |                                    |
| Long-term investments, total (line 040+050+060+070+080) | 030                                |  |                                    |
| Securities (0610)                                       | 040                                |  |                                    |
| Investments in subsidiaries (0620)                      | 050                                |  |                                    |
| investments in subsidiaries (0630)                      | 060                                |  |                                    |
| Investments in enterprises with foreign capital (0640)  | 070                                |  |                                    |
| Other long-term investments (0690)                      | 080                                |  |                                    |
| Installation equipment (0700)                           | 090                                |  |                                    |
| Capital investments (0800)                              | 100                                |  |                                    |
| Long-term receivables (0910,0920,0930,0940)             | 110                                |  |                                    |
| Long-term deferred expenses (0950, 0960, 0990)          | 120                                |  |                                    |
| Total for section I (line 012+022+030+090+100+110+120)  | 130                                | 808,858.05                               | 1,057,430.64                       |

<sup>8</sup> Uzbekistan Republic President decision PQ-4611 dated 24.02.2020 <https://lex.uz/docs/-4746047>

<sup>9</sup> <https://7universum.com/ru/economy/archive/item/14811>

| II. Current assets  |     |              |              |
|---|-----|--------------|--------------|
| Inventory, total (line 150+160+170+180)   | 140 | 577,077.00   | 320,381.00   |
| Production stocks (1000, 1100, 1500, 1600)                                      | 150 | 95688.00     | 187401.00    |
| Work in progress (2000, 2100, 2300, 2700)                                       | 160 | 481389.00    | 132980.00    |
| The finished product (2800)   | 170 |              |              |
| Goods (difference of 2900 from 2980)  | 180 |              |              |
| Future period expenses (3100)   | 190 |              |              |
| Deferred expenses (3200)  | 200 |              |              |
| Debtors, total (line 220+240+250+260+270+280+290+300+310)                       | 210 | 3,453,987.29 | 455,576.73   |
| of which: Expired*  | 211 |              |              |
| Accounts Payable (difference between 4000 and 4900)                             | 220 | 2954562.22   |              |
| Debt of segregated units (4110)   | 230 |              |              |
| Branch and dependent economy of societies debt (4120)                           | 240 |              |              |
| Bonuses given to employees (4200)   | 250 |              |              |
| Vouchers issued to suppliers and contractors (4300)                             | 260 | 5548.00      | 10842.60     |
| To the budget taxes and another mandatory payment according to blob fees (4400) | 270 | 21743.00     |              |
| Purposeful state savings and insurance according to blob fees (4500)            | 280 |              |              |
| Debt of the founders on shares to the authorized capital (4600)                 | 290 |              |              |
| Employees' debt for other operations (4700)                                     | 300 | 247504.07    | 252904.13    |
| Other receivables (4800)  | 310 | 224630.00    | 191830.00    |
| Funds, total (line 330+340+350+360), including:                                 | 320 | 186,271.23   | 71,727.78    |
| Cash on hand (5000)   | 330 |              |              |
| The account is a book in the account of money funds (5100)                      | 340 | 186271.23    | 71727.78     |
| Funds in foreign currency (5200)  | 350 |              |              |
| Other cash and equivalents (5500, 5600, 5700)                                   | 360 |              |              |
| short-term investments (5800)   | 370 |              |              |
| Other current assets (5900)   | 380 |              |              |
| Total for part II (line 140+190+200+210+320+370+380)                            | 390 | 4,217,335.52 | 847,685.51   |
| Total on balance sheet assets (line 130+390)                                    | 400 | 5,026,193.57 | 1,905,116.15 |
| Passive   |     |              |              |
| I. Sources of own funds   |     |              |              |
| Authorized capital (8300)   | 410 | 117226.50    | 117226.50    |
| Added capital (8400)  | 420 |              |              |
| Reserve capital (8500)  | 430 |              |              |
| Purchased private shares (8600)   | 440 |              |              |
| Retained earnings (uncovered losses) (8700)                                     | 450 | 3602816.89   | 772656.07    |



|  |     |              |              |
|--|-----|--------------|--------------|
| Target income (8800)   | 460 |              |              |
| Provisions for future expenses and payments (8900)   | 470 |              |              |
| Total for section I (line 410+420+430-440+450+460+470)   | 480 | 3,720,043.39 | 889,882.57   |
| <b>II. Obligations</b>   |     |              |              |
| Long-term liabilities, total (line 500+520+530+540+550+560+570+580+590)                        | 490 | 282,150.10   | 390,854.27   |
| including long-term payables (line 500+520+540+560+590)  | 491 | 0.00         | 0.00         |
| Mol delivery givers and contractors long term debt (7000)                                      | 500 |              |              |
| Separated to divisions long-term debt (7110)   | 510 |              |              |
| Branch and dependent economy to societies long-term debt (7120)                                | 520 |              |              |
| Long-term deferred income (7210, 7220, 7230)   | 530 |              |              |
| Tax and another mandatory payment according to long-term delayed obligations (7240)            | 540 |              |              |
| Other long-term delayed liabilities (7250, 7290)   | 550 |              |              |
| Notes from buyers and customers (7300)   | 560 |              |              |
| Long-term bank loans (7810)  | 570 |              |              |
| Long-term debts (7820, 7830, 7840)   | 580 | 282150.10    | 390854.27    |
| Other long-term payables (7900)  | 590 |              |              |
| Current liabilities, total (lines 610+630+640+650+660+670+680+690+700+710+720+730+740+750+760) | 600 | 1,024,000.08 | 624,379.31   |
| including current payables (lines 610+630+650+670+680+690+700+710+720+760)                     | 601 | 893,021.77   | 330,811.31   |
| of which: past due current payables*   | 602 |              |              |
| Loans to suppliers and contractors (6000)  | 610 | 1253.10      | 14547.60     |
| Loan to segregated units (6110)  | 620 |              |              |
| Branch and dependent economy to societies debt (6120)  | 630 |              |              |
| Deferred earnings (6210, 6220, 6230)   | 640 |              |              |
| Tax and another mandatory payment according to delayed obligations (6240)                      | 650 |              |              |
| Other deferred liabilities (6250, 6290)  | 660 |              |              |
| Points received (6300)   | 670 | 822000.00    | 186000.00    |
| Debt for payments to the budget (6400)   | 680 | 24917.67     | 87574.80     |
| Insurance debt (6510)  | 690 | 6851.00      | 14574.43     |
| Purposeful state to savings payments according to debt (6520)                                  | 700 |              |              |
| Debts to founders (6600)   | 710 |              |              |
| To work right to pay according to debt (6700)  | 720 | 38000.00     | 18720.00     |
| Short-term bank loans (6810)   | 730 |              |              |
| Short-term loans (6820, 6830, 6840)  | 740 |              |              |
| Long-term obligations current part (6950)  | 750 | 130978.31    | 293568.00    |
| Other payables (except 6950 6900)  | 760 |              | 9394.48      |
| Total for part II (lines 490+600)  | 770 | 1,306,150.18 | 1,015,233.58 |
| Total on-balance liabilities (line 480+770)  | 780 | 5,026,193.57 | 1,905,116.15 |
|  |     |              |              |
|  |     |              |              |
|  |     |              |              |
|  |     |              |              |
|  |     |              |              |

Source: Balance sheet (Annual 2022) is presented for the article by "Intechlines" LLC

**Table 2**

**Measurement unit, thousand soms**

**REPORT ON FINANCIAL RESULTS - Form No. 2**

| Indicator name   | String code | At this time last year |                 | During the reporting period |                 |
|--|-------------|------------------------|-----------------|-----------------------------|-----------------|
|  |             | Revenues (Profits)     | Costs (damages) | Revenues (Profits)          | Costs (damages) |
| 1  | 2           | 3                      | 4               | 5                           | 6               |
| Net income from the sale of products (goods, work, and services).                            | 010         | 4843581.13             | x               | 3741427.86                  | x               |
| Cost of sold products (goods, work, and services).   | 020         | x                      | 1086212.83      | x                           | 3039993.41      |
| Gross profit (loss) from the sale of products (goods, work, and services) (lines 010-020)    | 030         | 3,757,368.30           | 0.00            | 701,434.45                  | 0.00            |
| Period expenses, total (line 050+060+070+080), including:                                    | 040         | x                      | 443,559.00      | x                           | 467,280.00      |
| Selling expenses   | 050         | x                      |                 | x                           |                 |
| Administrative expenses  | 060         | x                      | 288742.00       | x                           | 314810.00       |
| Other operating expenses   | 070         | x                      | 154817.00       | x                           | 152470.00       |
| Expenses that will be deducted in the future from the taxable profit of the reporting period | 080         | x                      |                 | x                           |                 |
| Other income from the main activity  | 090         |                        | x               |                             | x               |
| Profit (loss) of the main activity (line 030-040+090)  | 100         | 3,313,809.30           | 0.00            | 234,154.45                  | 0.00            |
| Income from financial activities, total (line 120+130+140+150+160), including:               | 110         | 24,841.00              | x               |                             | x               |
| Income in the form of dividends  | 120         |                        | x               |                             | x               |
| Income in the form of interest   | 130         |                        | x               |                             | x               |
| Income from financial leases   | 140         |                        | x               |                             | x               |
| Income from exchange rate differences  | 150         | 24841.00               | x               |                             | x               |
| Other income from financial activities   | 160         |                        | x               |                             | x               |
| Financial activity expenses (line 180+190+200+210), including:                               | 170         | x                      | 43,316.00       | x                           | 106,150.27      |
| Expenses in the form of interest   | 180         |                        | 38475.00        |                             | 106150.27       |
| Expenses in the form of interest on financial leases   | 190         | x                      |                 | x                           |                 |
| Losses from exchange rate differences  | 200         | x                      | 4841.00         | x                           |                 |
| Other expenses on financial activities   | 210         | x                      |                 | x                           |                 |
| Profit (loss) of general economic activity (lines 100+110-170)                               | 220         | 3,295,334.30           | 0.00            | 128,004.18                  | 0.00            |
| Contingent profits and losses  | 230         |                        |                 |                             |                 |
| Profit (loss) before paying profit tax (lines 220+/-230)                                     | 240         | 3,295,334.30           | 0.00            | 128,004.18                  | 0.00            |
| Profit tax   | 250         | x                      | 23917.67        | X                           |                 |
| From profit other taxes and other mandatory payment  | 260         | x                      |                 | X                           |                 |
| Net profit (loss) of the reporting period (lines 240-250-260)                                | 270         | 3,271,416.63           | 0.00            | 128,004.18                  | 0.00            |

**Source:** Report on financial results (Annual 2022)  
is presented for the article by "Intechlines" LLC



## Summary

The main sources of analysis of the company's financial situation are financial statements and accounting. The financial results account is the main part of the financial account. The information provided in the financial (accounting) reports is very important. Based on it, the state of financial resources, their rational distribution, efficiency of use of fixed assets, maintenance, as well as correct and timely payment of taxes are evaluated. This article discusses the difference between international and national financial performance and its structure and helps to explore the relationship between theoretical and practical experiences in this field. The financial performance report is of great help in studying and evaluating the financial performance of export-import transactions and this in turn contributes to the development of the country. The accounting of financial results also plays an important role in calculating the increase or decrease in equity during the period of activity of economic entities.

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