



THEORETICAL BASIS OF THE FORMATION OF FINANCIAL RESULTS IN THE COTTON-TEXTILE CLUSTER

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A B S T R A C T	K E Y W O R D S
The theoretical basis of the formation of financial results in the cotton-textile cluster is considered. The process of origination of income and expenses from enterprise activity has been studied. The trends of the added value chain in cotton-textile clusters and the level of coverage of the added value chain in cotton-textile clusters operating in Uzbekistan were analyzed.	Cotton-textile cluster, financial statement, profit and loss, economic entity.

Introduction

It is important to ensure the transparency of financial reports in the cotton-textile cluster, to form indicators of financial results based on the requirements of international standards, and to confirm the reliability of information about financial results. Since the final product produced in the cotton-textile cluster is intended for export, it is important for them to establish cooperation with importers. The formation of information on financial results is important for all users. In the scientific-theoretical literature on accounting, the financial result is often understood as the final economic result of the activity of an economic entity expressed in the form of profit or loss.

Analysis of literature on the topic

According to Y. V. Sokolov, the financial result is one of the complex categories, and he defines it as the profit or loss received in a certain reporting period. The financial result shows the change in the value of capital during the reporting period. If it increases, it is about profit, if it decreases - about loss. According to the economists of our republic, the financial result is the difference between income and expenses. In particular, Y. A. Mahmudalieva notes in her research that "profit is the excess of the amount of income over the incurred expenses." In this definition, it can be seen that the financial result is profit and it is defined as the difference between income and cost.

Such views on the financial result can also be found in the opinions of A.K.Polishchuk: the final result - profit or loss - is defined as the difference between income and expenses.

Financial results are the increase or decrease of the funds owned by the economic entity in the course of business activity in a certain reporting period. In accounting, the result of such activity is determined by calculating all profits and losses during the reporting period.

Based on the opinions of these scientists, it can be understood that the financial result is the difference between income and expenses, and it is in the form of profit or loss.

In our opinion, a common model emerges from this, based on which income is an inflow of funds, and expenses are an outflow of funds; profit (loss) is the difference between them, and it is reflected in the balance sheet and changes it.

These approaches to accounting result in a financial result being the difference between the growth of assets or the inflow and outflow of funds. It does not fully represent the financial result, because usually neither the inflow of funds is considered a revenue (profit) nor the outflow of funds represents an expense. For example, the founders of the cotton-textile cluster increased the authorized capital by making an additional contribution, which is certainly not a profit for the cluster, and if the investments made by the cluster represent an outflow of funds, it is not an expense.

Analysis and discussion of results

Let's consider the situation of negative financial result, that is, the result of activity comes out with a loss. The term loss can be found in the scientific research of most economists, who use it only as a loss. Also, the loss is seen as a negative final financial result, and it is possible to meet opinions that the income received during a certain reporting period cannot cover the incurred expenses.

Unprofitable activity of economic entities strengthens its financial base, and on the contrary, long-term loss-making activity can lead to their inevitable decline. In our opinion, the financial result is not only profit and loss, because they are recognized as the final indicator of activity. An economic entity achieves a certain result when performing each operation, which is income or expense.

The financial result of the cotton-textile cluster is determined like the financial result of all other economic entities, but it is necessary to take into account the specific nature of the sector. Based on the results of the research, we interpret the financial result in the form of income, expenses, profit and loss. The final result of the activity is determined by the traditional form of profit or loss calculation according to the following formula:

Profit (loss) = revenue-cost

Calculating the final financial result according to this formula does not provide the necessary information for the manager, founder, financial management, analysis and other interested parties. Therefore, interested parties determine their own procedures for calculating the financial result. Business entities calculate the financial result mainly using tax legislation and accounting standards. Also, the financial result is calculated based on the goals of financial management and economic analysis.

Before considering the practice of accounting of cluster income and expenses, we think that it is necessary to analyze the concepts of income and expenses. In the economic literature, the concepts of income and cost are interpreted differently.

International Financial Reporting Standards (IFRS) defines "Revenue as an increase in economic value in the reporting period, in the form of an increase in capital that is not related to the contributions of shareholders, through the outflow or growth of assets, or through the reduction of liabilities." On the other hand, "Expenses are a decrease in economic value in the form of a decrease in capital that is not related to the distribution of equity capital by participants through the outflow or decrease of assets, or through the increase of liabilities".

In support of these ideas, the specific characteristics of income and expenditure can be seen in the following figures. It lists the types of activities of the enterprise, the income from them and the expenses incurred to obtain this income.

First of all, it is possible to consider income and expenses in a production and service enterprise. The process of origination of income and expenses in the activity of this enterprise is given in Figure 1.

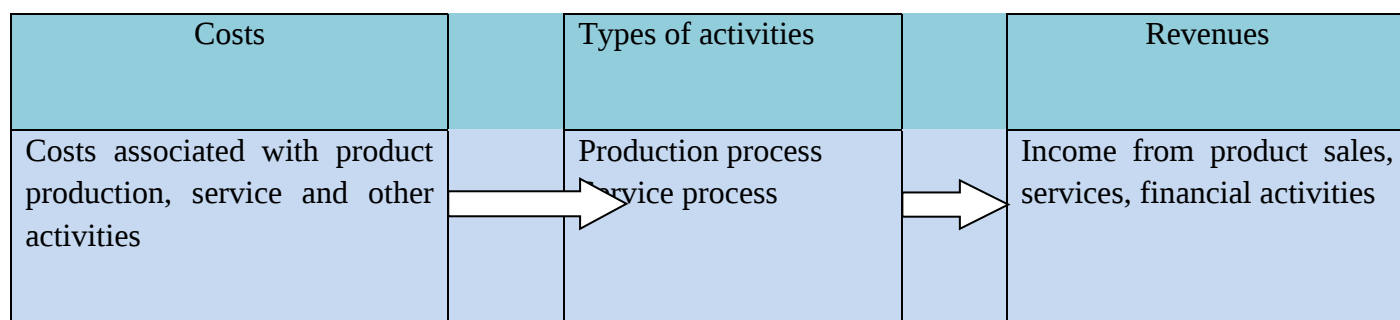


Figure 1. The process of deriving income and expenses from the enterprise

As can be seen in this picture, expenses are organized depending on the type of activity, resulting in income depending on the type of activity.

We believe that it is appropriate to consider their structure when studying the recognition of cluster income and expenses in accounting.

Most economists classify cluster incomes and expenses according to different characteristics.

Cotton-textile clusters have a unique feature of accounting of income and expenses, there are several types of activities in the enterprises of this cluster system. In clusters, accounting, including financial results, i.e. income, expense, profit and loss accounting, is important. Studies conducted on this issue have shown that accounting in clusters is significantly more complicated than in other enterprises.

In cotton-textile clusters, in this regard, it is especially necessary to keep accounts of income and expenses, and to keep accounts of all aspects of the agricultural and textile industries, in simple words, to keep accounts of the entire process from “raw materials to finished products”.

It should be noted that the purpose of recognizing income and expenses in the cluster is their correct reflection in the financial statements and the correct determination of the final financial result.

In order to determine the net financial result of the cluster’s activity, all expenses incurred during the reporting period should be correctly distributed.

All costs must be divided into costs that are included in the cost of goods produced and sold, and costs that are not included in the cost, but are included in the period costs.

Period expenses are taken into account when calculating profit before tax. In addition, the report on financial results shows separately the financial activities and the expenses in case of emergency.

Studying the activity of cotton-textile clusters showed that the integration of the entire process from cotton cultivation to the production of finished products under a single management is the most effective form compared to other forms of organization of cotton-textile production. At the same time, some important advantages can be seen in this form of cluster organization.

First, secondary products produced in agriculture, such as rhizomes, seeds, etc., are processed in the cluster itself, which in turn brings additional income.

Secondly, in this form, there is a low probability of misunderstandings and conflicts between agricultural workers (farmers) and textile enterprises. Recently, the conflict of interests between

clusters and farms is increasing in some regions of our republic. Organization of production in this form prevents the occurrence of such problems and leads to further development of the cotton industry.

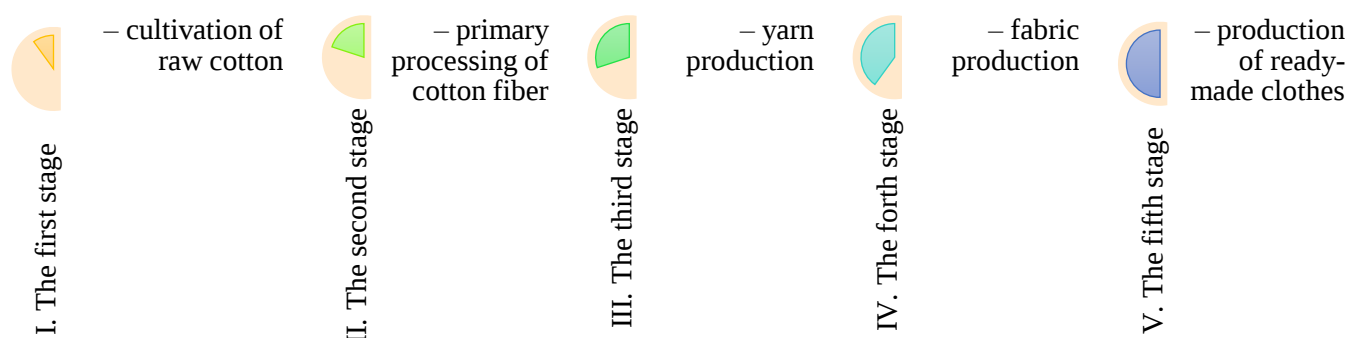


Figure 2. Value chain in cotton-textile clusters

As can be seen from Figure 2, the cotton-textile cluster should cover all 5 stages to form its full added value. At each stage, financial resources, workers, necessary equipment and technology, buildings, raw materials, semi-finished products, etc., are needed for the development of the cluster.

Including: I. The first stage - cultivation of cotton raw materials: cotton fields, agricultural machinery, seeds, fuel lubricants, fertilizers, growers, etc.

II. The second stage is the primary processing of cotton fiber: cotton reception points, cotton ginning plant, workers, cotton raw materials, electricity, gas, equipment, techniques and technologies, etc.

III. The third stage is yarn production: spinning shop, workers, capital equipment, cotton fiber electricity, gas, equipment, techniques and technologies, etc.

IV. The fourth stage is fabric production: weaving factory, workers, dyes, capital equipment, spinning, electricity, gas, equipment, techniques and technologies, etc.

V. The fifth stage - production of ready-made clothes: sewing factory, workers, fixed assets, fabric, electricity, gas, equipment, techniques and technologies, etc.

In the cotton-textile cluster, we can see that different costs are incurred at each stage to create the added value chain. To cover these costs, the main part of the income is formed by the income received after the sale of the finished product.

It will take at least one and a half to two years for the value added chain in the cotton-textile cluster to be fully operational. From this point of view, it is very important to correctly account for income and expenses at each stage. Because in the initial period, a large amount of investment will be required to fully implement the five steps in the cluster.

Today, 41 of the existing clusters cover five stages of cotton processing, 32 have four stages, 31 have three stages, 16 have two stages, and 14 have one stage (Figure 1.3).

Research has shown that in some cotton-textile clusters, insufficient attention has been paid to the creation of value-added chains and the end result - the production of high-quality finished textile products. The technologies, raw materials and materials used at each link of the chain do not allow to ensure the high quality of final finished products that meet the demands of the domestic and foreign markets.

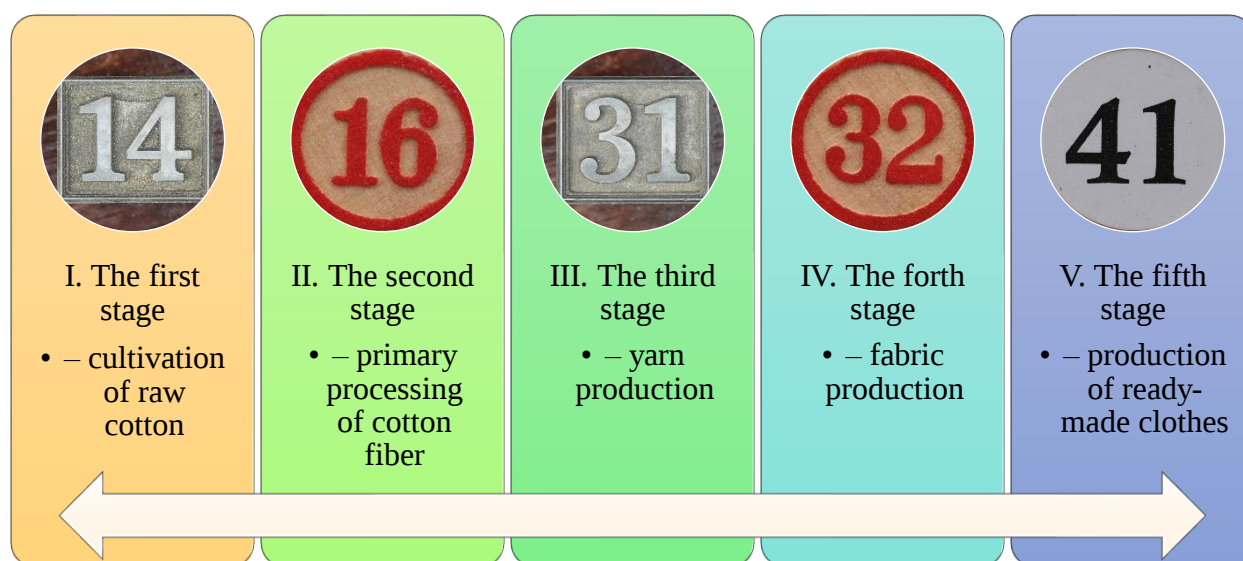


Figure 3. The degree of coverage of the added value chain in cotton-textile clusters operating in Uzbekistan

In the near future, all clusters will fully transition to a five-stage deep processing system. For this purpose, more than 300 investment projects are planned to be implemented by cotton-textile clusters in 2022-2026. Ultimately, an additional value chain for deep processing of raw materials will be established and 350 thousand new jobs will be created. The total volume of export of textile products is expected to double.

Conclusions and suggestions

Financial performance indicators are important and are used for a variety of purposes. In particular, they take an independent position in the evaluation and analysis of the cluster's performance during the reporting period. Profit before tax, profit from product sales and net profit indicators used in determining efficiency indicators are of particular importance.

Currently, there are many shortcomings in filling out the statement of financial results. In our opinion, based on the current requirements, at least four indicators should be presented in the profit and loss statement: gross profit, profit from other transactions, profit before tax, net profit after tax, plus sales volume, cost of goods sold, Information such as interest income and investment income, gains and losses on foreign exchange transactions should also be taken into account.

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