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## AGRICULTURAL ACCOUNTING REFORM

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### Annotation

Currently, the country is reforming the accounting and financial reporting system in the Republic of Uzbekistan.

The article presents a study of current accounting in agricultural products, grain crops, and reporting of biological assets, which cannot be compared with international standards. The authors studied accounting with the implementation of international financial reporting standards (IFRS).

Thus, the convergence of accounting to international standards is an important step in the development of accounting in the Republic of Uzbekistan. The study revealed the preparation of accounting reports, which reflect separately the valuation of biological assets, for example, crop production, and separately the cost of the harvested crop. Also, an assessment and accounting of finished grain production products at fair value is proposed, which will allow assessing the real productivity of production and the effectiveness of completed transactions.

**Key words:** accounting, agricultural products, grain crops, IFRS, agriculture, biological assets, biotransformation.

**Introduction.** Uzbekistan's desire to integrate into the world economic community and expand participation in the activities of international organizations requires the country to ensure the unity of national accounting standards with methodological principles [1].

The strategic goal of the development of the agro-industrial complex is to achieve and maintain the country's food security.



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The world has now entered a period of long-term decline in per capita food production. For example, the highest grain supply per capita – 345 kg – was achieved in 1989, then it decreased to 300 kg, and by 2030 it is expected to be 240 kg. Or about 70% of the maximum provision level.[2].

Providing the national economy of the Republic of Uzbekistan with food grain of its own production is the most important state task. The Republic of Uzbekistan has adopted a number of programs to support agricultural producers. Thus, this contributes not only to the development of markets for domestic products, improving the situation of agricultural organizations, but also to increasing the competitiveness of products among foreign producers.

However, along with ongoing programs to support manufacturers, the correct and effective organization of accounting in an organization plays an important role [3]. The implementation of International Financial Reporting Standards (IFRS) is one of the elements of international attractiveness of both an enterprise and the country's economy as a whole.

**Target.** Lack or partial implementation hinders the attraction of investments into the country. For investors, this indicates a lack of transparency in financial reporting. However, at the present stage, the accounting and reporting methods adopted in Uzbekistan differ from those that form the basis of IFRS. Therefore, organizations in Uzbekistan seeking international cooperation do additional work to prepare their statements in accordance with IFRS.

The purpose of the work is, based on a study of literary sources and practical work of «Уздонмахсулот» JSC, to develop recommendations for improving accounting and reporting of biological assets and agricultural crop products using the example of grain crops.

**Methods.** Of particular importance in the agricultural sector are the issues of improving the accounting of objects, such as animals and plants, which in foreign practice are combined into the group “biological assets”. The procedure for accounting, financial reporting and disclosure of information about biological assets is established by IFRS 41 “Agriculture”.

This paper reveals the inconsistencies between domestic and foreign methods for valuing crop products and concludes that fair value provides a realistic assessment of the financial condition and solvency of organizations. The study was conducted



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for 2019-2020. based on the results of financial and economic activities of «Уздонмахсулот» JSC in the Republic of Uzbekistan.

The development of agriculture is currently supported by the state program for the development of agricultural business in the Republic of Uzbekistan for 2016 - 2020 in order to increase the economic efficiency of the agro-industrial complex, the quality and competitiveness of domestic agricultural products and food products, as well as the formation of market fundamentals for economic management in agro-industrial production [4 ,5,6]. In this regard, the economic importance of the issues of assessing agricultural products is objectively increasing. In accounting, grain products can be valued according to one of the following options, depending on the channels of receipt. Products manufactured in the organization are assessed during the year according to the standard forecast (planned) cost. At the end of the year, after reporting calculations are compiled, the planned cost is brought to the actual level. In the balance sheet, grain products are reflected at actual cost. Products for which the planned cost is not calculated are valued at possible sales prices. Products purchased for a fee are accounted for at the actual cost of their acquisition. In this case, the actual cost consists of its cost at purchase prices and the costs of procuring and delivering products to the organization. The list of costs for the procurement and delivery of products is determined by the Basic Provisions on the composition of costs included in the cost of products, works, and services. Products received free of charge are valued at their market value or at the price of a similar type of product on the date of acceptance for accounting. Products manufactured last year and transferred to the next year are accounted for at actual cost.

**Main part.** Currently, in the Republic of Uzbekistan, grain products are reflected at actual production costs only in annual financial statements, which contradicts the international financial reporting standard IAS 41 “Agriculture”, which synthesizes the features of agriculture in a unique characteristic of agricultural activity, such as the management of biotransformation of biological assets. Revenue from agricultural enterprises will be distributed evenly across periods, as a result of recognizing in each period a portion of income from the revaluation of biological assets. Subsequently, this income is transformed into revenue from the sale of agricultural products. Biological assets should be divided into groups: consumable and fruit-bearing (productive) biological assets or mature and immature biological assets. Consumable biological assets are assets that will be received as agricultural



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products or sold as biological assets, for example, crops such as corn and wheat. Mature biological assets are assets that have reached parameters that allow them to begin harvesting agricultural products (in relation to consumable biological assets). Agricultural products collected from biological assets should also be valued at fair value less estimated costs of sale, established at the time of receipt of the product (harvest) [1,5,6,7].

Consequently, in the process of managing the biotransformation of biological assets, in addition to their valuation at fair value, there is a need to account for these assets at fair value. Cereal crops are presented in accounting as work in progress, which is not sold as such. In order to convert work in progress into grain, additional funds are needed for harvesting, fertilizers, etc. In addition, until the harvest occurs, grains grow and their assessment of the future harvest changes. In order to determine the fair value of biological assets, the obtained price for grain in the future must be reduced to the current value by discounting. The amount of grain harvested in the future depends on the sown area (ha) and yield (c/ha). The last important factor for calculating the fair value estimate is the “degree of biotransformation”. Which shows how much the value of biological assets in their current state differs from the value of the crop. This serves as an additional internal control tool. The process of biotransformation of spring crops occurs evenly from March to early September, since these crops fully grow in a shorter period of time, and there are no breaks in the process of their biotransformation during the winter period.

Deviations that arise between the fair and actual (normative-forecast (planned)) cost of grain products should be taken into account separately as income (expenses) affecting the financial result. At the same time, the transition to valuation at fair value will entail the need to develop forms of primary documents indicating the methods used for calculating fair value, its changes, emerging deviations in estimates, as well as accounting and reporting registers, which will make it possible to assess the effectiveness of completed transactions, future economic benefits, accept economically sound decisions.

Thus, in order to analyze the efficiency of grain production, taking into account the requirements of IFRS, an assessment and accounting of finished grain products at fair value is proposed, which will allow us to evaluate the real productivity of production and the effectiveness of completed transactions. In this case, crops of grain crops, which are biological assets according to the IFRS classification, and



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grain, both at the time of their receipt and after drying and sorting, must be assessed at fair value or net realizable value.

However, this technique contradicts IAS 41 “Agriculture”, according to which biological assets of crop production are plants that are the object of benefit for agricultural enterprises [5,6]. At harvest, the biological asset becomes an agricultural product and should be reported under inventory in the financial statements. In order to adapt domestic accounting to international financial reporting standards, Russian scientists propose introducing a separate account into the chart of accounts for accounting for biological assets [4,5, 6].

## Conclusion

Thus, at the date of preparation of the financial statements, the valuation of biological assets, for example, crop production, and the cost of the harvested crop will be reflected separately. IAS 41 «Agriculture» requires biological assets and agricultural products at harvest to be measured and reported at fair value less estimated costs to sell, unless fair value cannot be reliably determined to represent their value at an amount that is as close as possible to the actual value at the reporting date.

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