

Current Issues of Organization of Accounting of Financial Investments of Commercial Organizations

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Abstract

The article gives information about the problems of organizing the accounting of financial investments of commercial organizations. The concept, essence and types of financial investments are stated. The features of the application of international standards when accounting for financial investments are characterized.

Keywords: *financial investment; financial investment accounting; international standards; assessment of financial investments*

Introduction.

In modern conditions, the correct organization of accounting for financial investments is an important problem for many commercial organizations, which predetermines the relevance of the topic of this article. It is important to note that according to the Uzbekistan State Tax Committee the number of commercial organizations operating in Uzbekistan registered in the State Service Center is increased significantly. The assets of a commercial organization may include financial investments. At the same time, unlike fixed assets, inventories and cash, the presence of financial investments on the balance sheet of a commercial organization is not at all necessary. Financial investments are investments of an organization, but unlike capital investments, they are investments in monetary form [4, p. 165]. As well as, financial investments are different from capital investments because of their aim. Capital investments are invested for improving its financial – technical base, where as financial investments are aimed to help others and gain profit.[5, p.24]

Financial investments, as a rule, are carried out if the organization can afford to divert some of the assets from its production turnover to transfer them to other organizations for a certain period and generate additional profit. But a commercial organization, transferring property to the ownership of another organization (for example, by contributing to the authorized capital or providing loans in property form) retains the right to the value of this property.

According to NASU 12 "Accounting for financial investments", financial investments include:

- investments in securities (shares, bonds, certificates of deposit, etc.);
- contributions to the authorized (pooled) capitals of other organizations that are not joint stock companies;
- contributions to joint activities (under a simple partnership agreement);
- loans granted to other legal entities (under a loan agreement);
- accounts receivable acquired on the basis of the assignment of the right of claim (under the assignment agreement) [2].

Methods.

Methods of comparison, scientific abstraction, logical thinking, observation and analysis were used in the research process.

Results and Discussion.

The concepts of "financial investments" and "securities" are often equated with each other, but not all securities can become an object of financial investments, just as not all financial investments are securities. So, checks and bills of exchange serve only as a means of settlement, not being an object of financial investments. At the same time, contributions or shares in authorized capital, not formalized in the form of shares, represent financial investments, not being securities.

Thus, the key features of financial investments are as follows:

- on the one hand, they are carried out, as a rule, to obtain additional profit;
- on the other hand, financial investments are associated with the risks of non-receipt of profit and even complete loss of the investments themselves.

For accounting purposes, when classifying financial investments, the following signs are used:

- by purpose (equity and debt financial investments);
- according to the degree of liquidity (easily realizable and hard-to-sell financial investments);
- by investment terms (short-term and long-term financial investments);
- by the nature of relations with the recipient of investments (financial investments in subsidiaries, dependent companies and other organizations).

Correct assessment of financial investments is important.

So, in relation to financial investments in the form of securities, in practice, several types of assessments are used:

- the nominal (face value) price is the price on the security blank;
- market (quotation or exchange rate) is the price at which securities are bought and sold on the stock market;
- accounting is the amount at which securities are reflected in accounting;
- balance sheet - this is the amount in which securities are reflected in the balance sheet;
- accounting is a value that reflects the amount of the capital of a joint-stock company per share.

Lisovich G.M. also identified the following type of assessment: the seller's price and the buyer's price acting on the stock market at a particular moment [4, p. 166]. Financial investments are accepted for accounting at their initial cost - this is the sum of the actual costs of their acquisition.

The following amounts can be attributed to the actual costs of purchasing securities:

- paid to the seller in accordance with the contract;
- paid to specialized organizations and other persons for services related to the purchase of securities;
- other expenses

In international practice, when evaluating financial investments, like many other types of assets, the so-called fair value is actively used - the amount for which an asset can be exchanged when making a transaction between independent, informed and interested parties.

Determining the fair value of financial investments requires an active market for a specific object (stock exchange, etc.). But the fair value of financial investments may not be established through an active market, if transactions with this object of financial investments are carried out occasionally. This circumstance determines one of the differences between the fair value of financial investments from the market value, which is determined exclusively in an active market.

But with the development of the international and national financial markets, the complication of transactions with financial instruments, the requirements for the quality of accounting for financial investments will only increase. In addition, it is necessary to provide information for the preparation of reliable reporting that would comply with the principles of NASU and IFRS.

The problems of organizing the correct accounting of financial investments may include the following:

- correct assessment of the economic feasibility of financial investments in unstable market conditions;
- correct documentation of financial investments, which will reduce the risk of fraudulent actions on the part of borrowers;
- when making financial investments, it is necessary to make appropriate changes to the accounting policy (it is necessary to determine the composition of costs included in the initial cost of financial investments; establish the timing of adjustments to the estimates of financial investments to determine the current value; determine the procedure for writing off the difference between the initial and nominal value during the circulation period (for debt securities); choose a method for evaluating financial investments upon their disposal);
- the need to create and record a reserve for the depreciation of financial investments;
- excessive complexity and inconsistency of international standards for financial investments [3].

Let's consider these problems in more detail. The question of correctly assessing the economic feasibility of financial investments in unstable market conditions is, perhaps, of paramount importance, especially considering that the invested funds reduce their turnover and, accordingly, negatively affect liquidity indicators.

Correct documenting of financial investments helps to reduce the risk of fraud, and, accordingly, the loss of invested funds, as well as problems with the tax authorities on the validity of writing off reserves for financial investments for losses, etc.

Conclusion and recommendations.

As mentioned above, when making financial investments, it is necessary to make appropriate changes to the accounting policy. These provisions should also take into account the specifics of the formation of reserves for the depreciation of financial investments. Companies can create provisions for impairment of investments in securities.

These reserves perform the following functions:

- with their help, the book value of financial investments in securities is formed on the basis of their book value;

- they provide coverage of possible losses from the negative development of the situation in the stock markets. So, reserves are formed for the amount of the difference between the book value and the estimated value of financial investments, when the second is less than the first.

Among the problems noted is the excessive complexity and inconsistency of international standards for financial investments. Thus, the International Financial Reporting Standard (IFRS) 9 "Financial Instruments", put into effect in the Russian Federation by Order of the Ministry of Finance of Russia dated June 27, 2016 No. 98n, provides for two types of assessment of financial investments:

- initial;
- subsequent [1].

Both of these types of measurement are guided by the application of fair value. Thus, the best evidence of the fair value of an investment at initial recognition is the transaction price (the fair value of the consideration given or received).

When the fair value of an investment falls below zero, it becomes a financial liability.

The subsequent measurement of financial investments, as well as the subsequent recognition of profits and losses, must comply with the requirements of IFRS 9: all changes in the fair value of investments must be reflected, respectively, in the income and expenses of the commercial organization.

One of the most important tasks of management accounting today is finding promising areas of financial investment. Commercial organizations that are financial investors strive to create effective systems for analyzing financial investments that would allow:

- to determine the optimal directions of investment activities;
- to minimize the risks associated with financial investments.

But in this case, it is required to develop an effective system for assessing the impact of the structure of financial investments on the value of the commercial organization itself - the financial investor.

Thus, the problems of accounting for financial investments are due to:

- unstable market conditions, which does not allow to reliably assess the economic feasibility of financial investments;
- the need for correct documentary registration of financial investments;
- the need to make appropriate changes to the accounting policy of the company;
- the need to create and record a reserve for the depreciation of financial investments;
- excessive complexity and inconsistency of international standards for financial investments, despite the fact that in Russia they are actively used and implemented.

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