BIOLOGICAL ASSET ACCOUNTING ISSUES

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Abstract: In agricultural practice, "biological assets" are recognized as an important accounting object. Correct organization of accounting of biological assets additionally improves the quality and materiality of financial reporting. The article presents the author's analysis of the current state of accounting of biological assets based on national standards and problems of accounting of biological assets based on international standards, as well as ways to solve them.

Keywords: *accounting policies, working animals, productive animals, farm animals, livestock, perennial trees, tree seedlings, transplants, valuation, historical cost, cost, depreciation, fair value, primary market, preferred market.*

BIOLOGIK AKVLARNING HISOBIGA OLISH MASALALARI

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Annotatsiya: Qishloq xo'jaligi amaliyotida “biologik aktivlar” buxgalteriya hisobining muhim obyekti sifatida e’tirof etiladi. Biologik aktivlar hisobini to‘g‘ri tashkil etish moliyaviy hisobotning sifati va muhimligini qo'shimcha ravishda oshiradi. Maqolada biologik aktivlarni milliy standartlar asosida hisobga olishning hozirgi holati va xalqaro standartlar asosida biologik aktivlarni hisobga olish muammolari hamda ularni hal etish yo‘llari muallif tomonidan tahlil qilingan.

Kalit so‘zlar: *hisob siyosati, ishchi hayvonlar, mahsuldor hayvonlar, qishloq xo'jaligi hayvonlari, chorva mollari, ko'p yillik daraxtlar, daraxt ko'chatlari, ko'chatlar, baholash, tarixiy qiymati, tannarxi, amortizatsiya, adolatli qiymat, birlamchi bozor, imtiyozli bozor.*

ВОПРОСЫ УЧЕТА БИОЛОГИЧЕСКИХ АКТИВОВ

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Аннотация: В сельскохозяйственной практике «биологические активы» признаются важным объектом бухгалтерского учета. Правильная организация учета биологических активов дополнительно повышает качество и существенность финансовой отчетности. В статье представлен авторский анализ современного состояния учета биологических активов на основе национальных стандартов и проблем учета биологических активов на основе международных стандартов, а также пути их решения.

Ключевые слова: *учетная политика, рабочие животные, продуктивные животные, сельскохозяйственные животные, домашний скот, многолетние деревья, саженцы деревьев, саженцы, оценка, историческая стоимость, себестоимость, амортизация, справедливая стоимость, первичный рынок, привилегированный рынок.*

INTRODUCTION

The ongoing integration of the economy of the Republic of Uzbekistan into the global economy necessitates the transition of the national accounting system to international financial reporting standards and adherence to them. Taking these requirements into account, the regulatory legal framework for accounting in our country is being revised based on the demands of international standards.

On February 24, 2020, the President of the Republic of Uzbekistan issued Decision PQ-4611, titled "Additional Measures for Transition to International Financial Reporting Standards." The purpose of this decision is to accelerate the transition to International Financial Reporting Standards (IFRS) in order to provide foreign investors with the necessary information environment and to expand access to international financial markets. Starting from January 1, 2021, joint-stock companies, commercial banks, insurance organizations, and legal entities classified as large taxpayers are required to organize their accounting in accordance with IFRS and prepare financial statements based on IFRS starting from the end of 2021. Issues related to harmonizing national accounting standards with IFRS have also been established[1].

The Presidential Decree of the Republic of Uzbekistan 'On the Strategy of Uzbekistan — 2030,' dated September 11, 2023, includes plans to double the GDP per capita by 2030, with average annual economic growth rates projected at 6.4 percent,

capital investments at 9.9 percent, and exports at 9.6 percent. It also aims to increase agricultural production by 1.8 times, as well as to implement standardization of agricultural products and align national standards with international standards [2].

It is also an important task to align the accounting of biological active substances and products derived from them with international standards. Increasing the efficiency of agricultural enterprises, attracting foreign investments to the agrarian sector of the economy, enhancing the competitiveness of the sector, and stimulating economic growth in the country are all facilitated by this.

Accounting is responsible for providing users with economic information necessary for making and implementing decisions. The reflected data must possess certain useful and qualitative characteristics.

We believe that the national accounting data concerning productive and working animals do not fully comply with the generally accepted accounting principles mentioned above.

Examples of this are: the lack of uniform concepts and terminology used (biological assets, biotransformation, fair value, etc.), the use of valuation methods that differ from generally accepted ones (valuation of animals at cost), which leads to inconsistency in financial results, including the impossibility of comparing them, etc.

The current accounting system does not allow obtaining useful and high-quality information about biological assets, which determines the relevance of the scientific topic.

LITERATURE REVIEW

The problems of accounting for biological assets have always been in the center of attention of economists. Many aspects of this problem have been studied by foreign economists, namely V. Bukur, V. M. Vitaleva, A. A. Dodonov, N. N. Bondina, I. A. Bondin, E. I. Martemyanova, T. V. Zubkova [3,8] and domestic economists K. B. Urazov, S. V. Vakhidov, R. Dusmuratov, S. N. Tashnazarov [9,11] and others. However, the lack of development in these works of organizational and methodological tasks that allow for the management of the economy with high-quality information in accordance with the conditions of the market mechanism, the existing problems of sectoral accounting and the issues facing national accounting in solving them, determined the need to study this topic as an object of research.

METHODOLOGY

During the study, such methods as economic and statistical, analysis and synthesis, comparison were used to conduct research activities in order to study the methodology of accounting for biological assets and products obtained from them.

DISCUSSION AND RESULTS

Modernization of accounting in our country in accordance with international financial reporting standards implies its development in accordance with the principles and rules established in the accounting systems of economically developed countries.

Preparation of financial statements in agriculture using international financial reporting standards increases the investment attractiveness of enterprises and allows agricultural products to enter the world market, satisfying the needs of foreign investors for financial information.

Today, many large agricultural enterprises, including agroclusters, prepare financial statements according to IFRS. This indicates that issues of efficient use of existing agricultural enterprises are becoming increasingly important in our Republic.

Considering the positive aspects of using IFRS in the activities of the enterprise, it should be noted that when switching to the accounting methods used in International Standards, difficulties arise during their first application. For example, it will be necessary to evaluate the long-term biological assets of the enterprise at fair value. The formation of long-term biological assets (costs of acquisition, transportation and preparation, affecting the process of their biotransformation, storage, procurement of products) requires significant monetary costs.

It should also be noted that in the process of forming financial statements, it is necessary to make certain adjustments taking into account the specifics of the activity.

The seasonality of agricultural production and its dependence on natural and climatic conditions are associated with the peculiarities of pricing for agricultural products, since market demand fluctuates depending on climatic conditions. Prices for products can change significantly over a relatively short period of time. This has an unplanned impact on the annual financial results of the asset.

Today, the accounting of biological assets in most agricultural enterprises of our republic is regulated by national standards No. 1 - "Accounting policy and financial reporting", No. 4 - "Inventory", No. 5 - "Fixed assets" and No. 20 "Simplified procedure for maintaining accounting records by small business entities", No. 21 - "Chart of accounts for accounting in business entities and instructions for its use".

The national standard considers biological assets: working cattle and productive animals and perennial plantings as fixed assets. Similarly, animals in production and animals in the herd are considered current assets (production stocks), and seedlings and tree seedlings grown on the farm are included in production costs.

Production costs in our republic are regulated by the Regulation “On the composition of costs for the production and sale of products (works, services) and the procedure for forming financial results” [12], approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 05.02.1999 No. 54.

The basis for accounting for biological assets under International Financial Reporting Standards is Standard No. 41 "Agriculture". This standard applies only to agricultural produce in the process of harvesting, the harvested product of the organization's biological assets. After that, IFRS (IAS) 2 "Inventories", IFRS (IFRS) 13 "Fair Value Measurement" or another appropriate standard applies.

According to BHMS No. 5, known as “Property, Plant and Equipment,” it is defined as “Property, plant and equipment are tangible assets held by an enterprise for use in the long term in producing products, performing work, or rendering services in the course of carrying out business activities or for the purpose of implementing administrative and socio-cultural tasks.” Similarly, according to No. 21 “Chart of Accounts for Accounting in Business Entities,” working and productive animals, perennial plants are recorded as long-term assets under fixed assets.

Working and productive animals, perennial plantings include material assets that simultaneously meet the following criteria:

a) service life of more than one year;

b) material assets, the cost of a unit (set) of which exceeds fifty times the basic calculation value established in the Republic of Uzbekistan (at the time of acquisition).

The head of the enterprise has the right to establish the minimum cost of material assets for accounting in the reporting year as part of fixed assets. Capital investments in perennial seedlings, working and productive animals are included in the fixed assets annually in the amount of expenses associated with working and productive animals and perennial plantings accepted for use in the reporting year, regardless of the date of completion of the entire complex of works [13].

Working and productive animals, perennial crops must be included in the balance sheet of the enterprise at their original cost, which includes the purchase price (the amount paid to the supplier) and all expenses associated with their acquisition.

Expenses related to the acquisition of working and productive animals and perennial plantings include:

- registration fees, state duties and other similar payments made for the purchase (acquisition) of the right to them;

- customs duties and fees;

- amounts of taxes and fees in connection with the acquisition of working and productive animals and perennial plantings (if they are not reimbursed);

- amounts paid for information and consulting services related to the acquisition (breeding) of working and productive animals and perennial plantings;

- expenses for insurance of the risk of supply (breeding) of working and productive animals and perennial plantings;

- premiums paid to intermediaries when acquiring working and productive animals and perennial plantings;

- other expenses directly related to bringing the asset into working condition and suitable for its intended use.

The costs of paying interest on the use of credit are not included in the initial cost of working and productive animals and perennial crops acquired in whole or in part using borrowed capital.

If the terms of the contract provide for a deferral or installment plan for the payment of acquired working and productive animals and perennial plantings, the said fixed assets are accepted for accounting at the purchase price without taking into account the deferral or installment plan of payment. In this case, the difference between the purchase price and the full amount of payment during the period of deferral or installment plan of payment is attributed to financial expenses (interest expenses) depending on the specific weight of the current payment in the total amount of the deferral or installment plan of payment.

For example, a livestock farm purchased 20 heads of breeding cattle from abroad under a contract. The contract value of the cattle, including VAT, was 224,000,000 soums (VAT rate - 12%). The fee for the services of an intermediary firm for the purchase was 400,000 soums, the state duty - 200,000 soums, the customs duty - 100,000 soums, the costs of preparation and transportation - 38,400,000 soums, travel expenses of the enterprise's forwarder - 10,240,000 soums.

The specified transactions are reflected by the following accounting entries in accounts No. 5 and No. 21, as well as in the composition of expenses for the acquisition of livestock on the basis of supporting documents:

The contract price for cattle is 224,000,000 sum including VAT. The net price of cattle excluding VAT is 200,000,000 sum (224,000,000 x100% / 112%).

1. The cost of cattle placed on the balance sheet at a contract price based on the cargo customs declaration (invoice) and the “Acceptance and Transfer Certificate for Breeding Cattle”:

D-t 0840-“Formation of the main herd” 200,000,000 sum,

K-t 6010 “Accounts payable to suppliers and contractors”

200,000,000 sum.

2. The amount of VAT included in the contract price of cattle purchased on the basis of a cargo customs declaration (invoice):

D-t 4410-“Advance payments to the budget for taxes and fees (by type)”

24,000,000 sum,

K-t 6010 “Accounts payable to suppliers and contractors”

24,000,000 sum.

3. The fee for the services of a brokerage firm is calculated on the basis of an agreement:

D-t 0840-“Formation of the main herd” 400,000 sum,

K-t 6911-“Other obligations (intermediary services)” 400,000 sum.

4. For the amount of the calculated state duty:

D-t 0840-“Formation of the main herd” 200,000 sum,

K-t 6912-“Other obligations (State duty)” 200,000 sum.

5. The amount of customs duty calculated on the basis of the cargo customs declaration:

D-t 0840-“Formation of the main herd” 100,000 sum,

K-t 6912-“Other obligations (Customs duty)” 100,000 sum.

6. Cost of preparation and transportation expenses calculated for a motor transport company based on a contract:

D-t 0840-“Formation of the main herd” 38,400,000 sum,

K-t 6010 “Accounts payable to suppliers and contractors”

38,400,000 sum.

7. The cost of travel expenses calculated by the company's forwarder based on the advance report:

D-t 0840-“Formation of the main herd” 10,240,000 sum,

K-t 4220-“Issue of bales for business trips” 10,240,000 sum.

When 20 heads of breeding cattle are received on the balance sheet of the farm, a “Calculation for determining the initial cost of breeding cattle” is drawn up, on the basis of which the following accounting transfers are made to the amount of the initial cost of the cattle:

D-t 0170 “Productive animals” 249,340,000 sum,

K-t 0840-“Formation of the main herd” 249,340,000 sum.

In this case, the initial cost of one head of cattle is 12,467,000 sum (249,340,000: 20 heads).

According to IAS 41 Agriculture, a biological asset must be measured at fair value less costs to sell upon initial recognition and at the end of each reporting period.

However, this presumption can be rebutted only at initial recognition of a biological asset when there are no observable market prices for the biological asset or when alternative estimates of fair value are clearly unreliable. In such cases, the biological asset should be measured at cost less accumulated depreciation and accumulated impairment losses. When the fair value of a biological asset can be measured reliably, an entity should measure it at fair value less costs to sell [14].

Under IFRS 13 Fair Value Measurement, fair value is a market-based measure rather than an entity-specific measure. For some assets and liabilities, observable market transactions and market data may not be available. However, the objective of fair value measurements in both cases is the same—to estimate the price that would be received in an orderly transaction to sell an asset or transfer a liability between market participants at the measurement date, based on current market conditions.

In estimating fair value, it is assumed that the transaction to sell the asset or transfer the liability will take place in one of the following markets:

- the principal market for the asset or liability;
- the most preferred market for the asset or liability if there is no principal market [15].

As already noted, the fair value of biological assets is not an enterprise-specific valuation, but a market valuation. Therefore, according to international standards, biological assets are reflected in the balance sheet at fair value. This occurs when there is a primary market for biological assets or when there are preferred markets for them.

The main market for the sale of breeding cattle in the Kashkadarya region is the Karshi "Karavan-market", and today the bulk of the cattle sold by farms is sold at prices agreed upon by farms on the basis of individual contracts, or at the "Cattle and Livestock" market within the framework of existing dehkan markets. These circumstances complicate the transition to accounting of biological assets in accordance with international financial reporting standards.

Therefore, it is necessary to develop measures to adapt the requirements of IAS 41 "Agriculture" to our national accounting standards. The measures being developed should be based, first of all, on the principles of determining the fair value of biological assets. That is, the following principles can be distinguished:

- the presence of an active market that meets the requirements;
- objectivity and reliability of prices, which implies the absence of monopolistic market segments and the elimination of numerous intermediaries on the way from the producer to the market;
- availability of price information, which requires the creation of an information system that provides reliable and accessible price information on the active markets of Uzbekistan;
- the availability of reliable reference and planning and economic data that allow comparing biological assets and the results of their biotransformation, taking into account the characteristics and technologies of agricultural production;
- simplicity of the algorithm and methodology for calculating fair value, ensuring practical work of accountants with the simplest algorithms and methodological approaches using reliable and accessible data;
- high professional level of accountants of agricultural organizations, the introduced new classification of biological assets implies the appropriate organization of their synthetic and analytical accounting in separate accounting accounts reflecting the necessary information on the availability, movement and biotransformation of biological assets by their individual types;

- selection of the policy for accounting of biological assets and accounting for the results of their biotransformation at fair value depending on the accounting objectives, based on the type of activity of the agricultural enterprise.

In our opinion, to ensure a fair assessment of biological assets and fair assessment in our Republic, it is necessary to organize an active market, without monopolistic market segments, and livestock auction activities.

An active market is a market where the following conditions are met:

- the goods sold on the market are homogeneous;
- at any time you can find a seller and a buyer ready to conclude a deal;
- information on prices can be found without difficulty.

Under IAS 41 Agriculture, a biological asset should be measured at fair value less costs to sell upon initial recognition and at the end of each reporting period. Under IAS 13 Fair Value Measurement, fair value is determined by an active market because it is not an entity-specific valuation but a market valuation.

If we consider the above example based on IAS 41 Agriculture, and if the fair value of the breeding cattle in an active market is UZS 11,200,000 per head, then the following entries will be made in the accounting for income from breeding cattle:

1. To accept 20 heads of breeding cattle on the balance sheet of the farm, a “Calculation of the fair value of breeding cattle” is prepared, based on which the fair value of the cattle is 224,000,000 sum (20 heads x 11,200,000 sum), the following accounting transfers are made:

D-t 0170 “Productive animals” 224,000,000 sum,

K-t 0840-“Formation of the main herd” 224,000,000 sum.

2. The difference between the acquisition price of biological assets and all related costs and their fair value is 25,340,000 sum (249,340,000 - 224,000,000):

D-t 9430-“Other operating expenses” 25,340,000 sum,

K-t 0840-“Formation of the main herd” 25,340,000 sum.

In the National Accounting Standard No. 21 "Chart of Accounts for Accounting in Business Entities and Instructions for Its Application" in the section "Accounts for Fixed Assets" for accounting of long-term biological assets the following accounts are established: 0170-"Working and Productive Animals", 0180-"Perennial Plantings", 0270-"Depreciation of Working Animals", 0280-"Depreciation of Perennial Plantings", and in the section "Current Assets" for accounting of current biological assets: 1010-"Raw Materials and Supplies", 1110-"Animals in Growing", 1120-"Animals in the Herd".

In our opinion, in order to account for long-term and short-term biological assets, it is advisable to replace account 0700-"Accounts for recording installed equipment" in the 21-NSBU system with accounts 0170-"Working and productive animals", and rename account 0700 to "Accounts for recording long-term biological assets", and

rename account 1100-"Accounts for recording animals being raised and fattened" to 1100-"Accounts for recording current (short-term) biological assets".

In general, the New Navoi region is boldly moving towards sustainable development with clear strategic approaches, despite infrastructural problems. The data presented in the table clearly describe the directions of this movement.

CONCLUSION

In conclusion, it should be noted that in the practice of financial accounting, "biological assets" are recognized as an important object of financial accounting and reporting. Correct organization of accounting of biological assets further increases the quality indicators of financial reporting. Correct evaluation and accounting of biological assets in financial accounting in accordance with the requirements of international financial reporting standards further increases the reliability of financial reporting data.

Despite the fact that agriculture occupies an important place in the economy of our republic and in recent years foreign investments have been widely attracted to this sector, it cannot be said that the accounting, recognition and evaluation of these assets comply with the requirements of international financial reporting standards.

In national accounting standards, the accounting of biological assets as fixed assets and finished products is regulated by NAS 5 and NAS 4.

According to the results of the study, long-term biological assets are recorded in accounts 0170-"Working and productive animals", 0180-"Perennial plantings", which are fixed assets, and short-term biological assets are recorded in accounts 1010-"Raw materials and supplies", 1110-"Animals in cultivation", 1120-"Animals in the barn" and 2810-"Finished goods". To carry out work for the purpose of proper organization of accounting of biological assets and its adaptation to the requirements of international financial reporting standards, the following proposals are recommended:

- To ensure accounting of biological assets at fair value, it is necessary to organize an active market - auction sale of cattle in our Republic:

- Replace accounts 0170-"Working and productive animals", 0180-"Perennial plantings" with account 0700, and rename account 0700 to "Accounts for accounting of long-term biological assets";

- Rename account 1100-"Accounts for accounting of animals in cultivation and fattening" to 1100-"Accounts for accounting of current (short-term) biological assets";

-Development of NAS regulating the recognition, measurement and accounting of biological assets in practice with the aim of bringing the accounting of biological assets closer to IFRS and improving accounting.

Correct interpretation of concepts related to biological assets, their correct classification will further increase the reliability and quality of financial reporting information on biological assets.

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