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## The Purpose of Financial Statements of Business Organizations and their Application in Business Decisions

Misirov A. M

Institute of economic and services Assistant of the department “accounting”

**Turabekov Bekali Shavkat o‘g‘li**

Tashkent State University of Economics Samarkand Branch, a student of the BH-123 group

### ABSTRACT

In this article, the structure of reports in business organizations; requirements for financial statements and mutual differences according to IFRS; the role of reports in making business decisions is highlighted.

**Key words:** financial reporting, business organizations, BHMS, IFRS, international standard, national standards, monitoring, balance sheet, cash flow statement, direct report of private capital.

The expansion of globalization processes leads to a further improvement in economic relations between world countries. In the development of the international accounting system in the context of modernization of the economy, it is important that joint-stock companies, commercial banks, insurance organizations, economic societies belonging to the state share and large taxpayers prepare financial statements on the basis of International Financial Reporting Standards (IFRS). The integration of Uzbekistan into the world economy requires significant changes in accounting policies as well. In this regard, the structure of national standards should be noted separately. To date, more than 20 national accounting standards have been adopted and are in effect. When assessing the financial situation and changes in it, this procedure will definitely allow you to find answers to a lot of inaccuracies. Including the recognition of assets, income and expenses, the determination and fair assessment of the real value of property, the composition of assets by liquidity and the procedure for following the general approaches in the procedures for their reflection in financial statements. But together with this, it is possible to see significantly different aspects of the general requirements in the standards used in foreign practice (MHXS) when maintaining accounting and drawing up financial statements. This, too, will definitely significantly affect the analysis of the financial situation and its content. Decree of the president of the Republic of Uzbekistan No. 4611 “on additional measures to transition to International Financial Reporting Standards “was introduced on February 24, 2020<sup>1</sup>. The main goal in the decision is to provide foreign investors with the necessary information environment and expand

<sup>1</sup> O‘zbekiston Respublikasi Prezidentining “Moliyaviy hisobotning xalqaro standartlariga o‘tish bo‘yicha qo‘shimcha chora-tadbirlar to‘g‘risida”gi 4611-son qarori 2020-yil 24-fevral

access to international financial markets by accelerating the transition to International Financial Reporting Standards (IFRS), as well as to improve the system of training specialists in the accounting and audit sectors by international standards.

Financial reporting consists of systematized information about the financial condition of the accounting entity at the reporting date, the financial result of its activities during the reporting period and the movement of funds. The international standard for accounting No. 1 (BHXS) "submission of financial statements" introduces the concept of "general-use financial statements", which is defined as follows: A common-use financial statement is aimed at meeting the needs of such users, which means that they will not be able to request the submission of reports that fully meet their specific information needs. Such a financial report is prepared and submitted no less than once a year, and a wide range of information is aimed at meeting the information needs of users in general.<sup>2</sup>

Other gross revenues under Mhxs No. 1 include<sup>3</sup>:

- Results of Re-evaluation in accordance with IFRS No. 16 named "fixed assets" and MHXS No. 38 named "intangible assets";
- Actuarial benefits and losses on pension payments in accordance with Mhxs No. 1 entitled "submission of financial statements";
- Profits and losses resulting from the recalculation of financial reporting articles on overseas activities in accordance with IFRS No. 21 titled "The effect of exchange rate changes";
- "Financial Instruments: Recognition and valuation" -profits and losses resulting from the revaluation of financial assets available for resale under the 39th Mhxs;
- Benefits and losses on the means of hedging as a result of cash flow hedging. Financial statements are reports aimed at meeting the information requirements of such users that such users cannot request reports adapted to their specific information requirements from the business entity.<sup>4</sup> Summarizing this definition, financial reporting is the only source of public information about the financial situation of the enterprise.

In another literature, financial reporting is a document that reveals the economic and financial condition of an enterprise, the main forms of which are as follows:

1. Financial status report;
2. Mixed income report;
3. Cash flow report;
4. Private Equity Action Report.

Financial reporting refers to a system that, on the basis of generally accepted rules, embodies the financial condition of the organization, the results of its financial and economic activities, as well as truthful and high-quality information about the movement of funds. It aims to ensure that internal and mainly external information users have a common need for information for decision-making and control.<sup>5</sup>

Disadvantages of financial statements:

- Reports are often interpreted differently, so investors often draw different conclusions about the company's financial performance. For example, some investors may want to buy back shares, while others may prefer to see money invested in long-term assets. The debt level of a

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<sup>2</sup> S.N. Tashnazarov; Moliyaviy buxgalteriya hisobi 1; darslik 113-bet

<sup>3</sup> Ismanov, I. N., & Axmadaliev, B. (2021). Factors Influencing The Formation Of International Budget Accounting Systems. *The American Journal of Management and Economics Innovations*, 3(09), 21-30.

<sup>4</sup> www.mf.uz – Moliyaviy hisobotning xalqaro standartlari

<sup>5</sup> S.N. Tashnazarov; Moliyaviy buxgalteriya hisobi 1; darslik 116-bet

company can be good for one investor, while another can be worried about the debt level for the company.

- When analyzing financial statements, it is important to identify different indicators and compare several periods in order to compare the company's results with those of its competitors.

Advantages of financial reporting.

- Financial statements show how the enterprise works. It provides an understanding of how much and what income an enterprise generates, how much it costs to run a business, how effectively it manages funds, what its assets and liabilities consist of. Financial statements provide all the details of how well or poorly the company manages itself.

Currently, the financial statements prepared for shareholders and other users use the principles and rules of accounting, which in some cases are used only in one country, passing from country to country. Thus there may be a lack of comparability in accounting reports. The disadvantage of this situation is that investment analysts and other users who use financial statements will have to make additional expenses due to the fact that in the process of analyzing the report, it is compiled according to standards. They can also face confusion in the interpretation of reports. In connection with this process, the effective competition of capital in the world market will deteriorate, while companies will have to bear high capital maintenance costs. The main thing is that trust in accounting reports is lost as a result of showing different amounts of profit for different countries. Similar aspects in the analysis of financial situation and changes in it can be explained by the principle of superiority of content over form, which is an important principle of accounting.

### **Conclusions and suggestions.**

In the article we came to the following conclusion on the role of financial statements in business organizations:

1. The purpose and structure of financial statements in business organizations; the importance of financial statements in business decisions and the principle of decision support; the current aspects of financial statements, such as monitoring, automation and security maintenance, have been comprehensively studied.
2. The " Akparshoh business " is a general description of a limited society, that is, the information, structural structure and divisions established by its charter are covered. At the same time, the procedure for drawing up financial statements in society, the Basic Rules used in making reports, the classification and description of reports are given.

The form of reporting on gross income, prepared in accordance with the international standards of financial reporting and national standards of accounting, is an important source for the formation of indicators of financial results of the activities of Joint-Stock Companies. This report is compiled on the principles of the ratio between the groups of income received and the corresponding groups of expenses, which are classified according to the sources of income. Since this type of report is compiled on the basis of international standards, it is necessary to make a number of amendments to the legislation. Among the main methodological recommendations on accounting policy on the approximation of accounting to the Mhxs and accounting in BHMS at Akparshoh business LLC, the following can be distinguished:

- The application of a unified methodology for creating reserves for receivables and loans issued in BHMS and IFRS; profit or loss; net profit (loss) of the reporting period; the share of organized or partner organizations in other gross income according to the method of accounting for the share of each component of gross income; total gross income uncontrolled share participation and IFRS tamoyillariga muvofiq BHMSda zaxiralarni yaratish;

- zaxiralarni muntazam inventarizatsiya qilish, likvidsiz zaxiralarni hisobdan chiqarish<sup>6</sup>;
- Creating a reserve for a trial based on IFRS backup principles;
- applying a unified methodology to creating and restoring a backup for unused vacations.

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