

FIXED ASSETS AND THEIR DEPRECIATION: COMPARATIVE ANALYSIS OF NATIONAL AND INTERNATIONAL ACCOUNTING STANDARDS

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Аннотация: В статье анализируются теоретические и практические аспекты учета амортизации основных средств, исходя из требований национальных и международных стандартов. На основе международного опыта сформированы выводы о порядке начисления амортизации основных средств и совершенствовании ее расчета.

Abstract: The article analyses theoretical and practical aspects of accounting of fixed assets depreciation based on the requirements of national and international standards. On the basis of international experience, the conclusions on the procedure of accrual of depreciation of fixed assets and improvement of its calculation are formed. g of depreciation of fixed assets on the basis of the requirements of national and international standards.

Ключевые слова: основные средства, срок полезного использования активов, амортизация, оценка основных средств, первоначальная стоимость, Международные стандарты финансовой отчетности.

Key words: fixed assets, useful life of assets, depreciation, valuation of fixed assets, initial cost, International Financial Reporting Standards.

The economic reforms implemented in our country are the basis for the further development of our economy. The president has emphasized the development of our economy in a number of speeches, such as «Within a year, we have intensively continued systemic reforms to further liberalize the economy of

our country, open a wide path for business, and strengthen the rule of law and legal guarantees in this regard» [1].

Currently, great attention is paid to improving the theoretical and methodological foundations of the accounting and auditing of fixed assets in the development of the economy in countries around the world. Criteria for recognition of fixed assets, valuation of fixed assets at initial cost, procedures for valuation of fixed assets based on the accounting model at actual cost or accounting models at revalued value, reflection of the results of revaluation of fixed assets, reflection of fixed assets in financial statements It is very important to harmonize the issues with international standards, to improve the methodology of auditing the fixed assets of economic entities based on international audit standards.

Fixed assets are tangible assets that meet the following criteria: (a) the production or delivery of goods, or the provision of services; or for lease to other parties or for administrative use stored; and (b) the expectation that they will be used for more than one period.

The following directions for increasing the efficiency of fixed assets can be cited as recommendations for the enterprise:

- distinguishing and reorganizing fixed assets;
- determining the appropriate forms of depreciation calculation for fixed assets [5].

As machines are used beyond their useful lives, they are fully depreciated and their carrying amount is zero.

However, of course-because the book value of our property, plant, and equipment cannot fall below zero.

So, in effect, we can use the machines but not recognize any depreciation expense because there is nothing left. In previous reporting periods, we fully amortized these assets. And as a result, the corresponding principle does not work here. The costs simply do not match the benefits of these machines.

Standard IAS 16 defines the useful life of fixed assets as follows:

- the period during which the enterprise is expected to use the asset or
- the number of production units or similar units expected to be produced by the entity from the asset.

Revised depreciation charge = Carrying amount (at the revision date)/Remaining useful life [4].

It is not the potential or economic life of the asset. These two will often not be the same. For example, the normal economic life of a car is 8 years, but the company's policy is to renew the car fleet every 4 years. In this case, the useful life of the car is only 4 years.

Alternatively, the machine has an estimated five years left on its economic life, but after two years, corporate experts believe it can be used for an additional six years. In this instance, the entire use duration is nine years.

This is crucial: according to standard IAS 16, companies must assess the asset useful life at least once a year, at the conclusion of the financial year. How can we make this situation better?

We offer two solutions to resolve this issue.

Way 1: Review the useful life at the end of each financial year.

The asset's useful life is the length of time it is used by the business or the volume of output (works and services) it expects to produce as a result of using it. The useful life of fixed assets is the period of time that remains after additional construction, equipment provision, reconstruction, modernization, and technical rearmament work are finished. When fixed assets are first utilized, the length of time they are used by the company, or the volume of goods (works, services) the company anticipates receiving from their use; if any of these changes from the initial estimates are known, they should be disclosed in compliance with

This implies that we only need to ascertain the new remaining useful life, compute the balance, and then recognize the depreciation charge in accordance with the new remaining useful life and the balance amount.

Financial statements from earlier periods cannot be restated. According to IAS 8, modifications in accounting estimates must be recognized prospectively, or both now and in the future.

There isn't much we can do if we frequently check the asset's prior useful life and know we intend to use it longer in the current reporting period. Keep these assets in their current state and make sure that a similar circumstance doesn't arise again.

Nevertheless, failing to apply IAS 16 will result in an accounting error if we actually neglected to update the useful life during the prior reporting period.

According to IAS 8, we have to make the necessary corrections backwards if the inaccuracy is significant. Using projected usable lifetimes, previous periods are restated in this modification. There is an enormous amount of performance as a result.

Way 2: Return our assets to their fair value.

The cost model and the revaluation model are the two models permitted by Standard IAS 16 for the subsequent measurement of our property, plant, and equipment.

It is true that the current machines' fair value will undoubtedly exceed zero if we continue to plan to use them in the future.

According to IAS 8, an accounting policy can only be modified in the following situations:

1. If IFRS requires it. This is undoubtedly untrue.
2. As a result of the modification, financial statements regarding the effect of operations, additional circumstances or events on the enterprise's cash flows, financial status, or financial indicators [3].

However, accounting policy refers to a set of guidelines and regulations that specify how certain transactions should be reported in financial statements going forward.

However, accounting policy refers to a set of guidelines and regulations that specify how certain transactions should be reported in financial statements going forward. Our car should be reviewed on a reasonably regular basis. We may decide on a fair valuation once a year. Rather than valuing each individual asset, we ought to revalue the entire asset class.

IAS 8 facilitates the transition from the cost model to the revaluation model if, after taking all of these factors into account, we still wish to do so. Don't revisit past times; the new policy only needs to be applied prospectively, not retrospectively.

According to national accounting standards, if, after they are completed, the initially accepted normative indicators of the use of fixed assets (useful service life, capacity, quality of use, etc.) improve (increase), the initial value of such an object increases. These capital investments include costs for additional construction, the provision of additional equipment, reconstruction, modernization, and technical rearmament of fixed assets [2].

We believe it would be better to examine the estimated useful life at the conclusion of each fiscal year and identify any changes in the accounting estimate rather than making an instantaneous adjustment to the accounting policy.

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