

# Characteristics of Liability Classification in Modern Accounting and International Accounting

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**Abstract.** This article examines the rules for accounting for liabilities based on the requirements of national accounting standards (NAS) and international financial reporting standards (IFRS). National and international literature on this topic was collected and conclusions were made on this topic.

**Keywords:** Liability, accounting, International financial reporting standards (IFRS), International accounting standards (IAS), National accounting standards (NAS), debt, credit.

## 1. INTRODUCTION

Nowadays, in order to increase the flow of foreign investment by providing foreign investors with the necessary information environment and expanding the access to international financial markets, in order to rapidly develop the national economy and ensure high growth rates in our country, joint stock companies, commercial banks, insurance organizations and business entities included in the category of large tax payers have financial international reporting standards are being introduced. In the introduction of international standards of financial reporting, it is important to correctly organize calculations of liabilities and reflect them in financial reports within the framework of the requirements of the International Financial Reporting Standards.

In Article 7 of the Law of the Republic of Uzbekistan "On Accounting", obligations are specified separately among the objects of accounting. Liabilities are an element related to determining the financial results of an economic entity in the financial statements of accounting in the "Balance Sheet" according to the national accounting standards or in the "Statement of Financial Position" according to the international standards of financial reporting.

In the national standard "Conceptual framework for preparation and presentation of financial statements" approved by the Ministry of Finance of the Republic of Uzbekistan, the obligation is defined as follows: "Obligations - the performance of a certain action by a person (debtor) in favor of another person (creditor), for example, transfer of property, it is an obligation to perform work, pay money, etc., or to refrain from certain actions, and the creditor has the right to demand that the debtor fulfill his obligations."

## 2. LITERATURE REVIEW

Among the economists of our country, Makhmudov S (2006), Tuychiev A.J (2011), Ergasheva Sh.T., Ibragimov A.K., Rizaev N.K., Ibragimova I.R (2019), Tashnazarov S.N., Tashnazarova D.S. (2018), Kozimjonov A. (2022) and others researched the methodological and practical aspects of improving the accounting of liabilities in economic entities based on international standards of financial reporting in their scientific work.

J. Zimareva, one of the Russian scientists, states that "companies' obligations to counterparties should be considered as items of the company's income, and obligations of counterparties to the company should be considered as items of its expenses." In this definition, J.Zimareva defined the enterprise in terms of income and expenses.

According to another economist, S. Makhmudov, "obligations are the result of previous economic transactions that show the indebtedness of one enterprise to another, and their extinguishment reduces the assets of the debtor enterprise." In this approach, the author approached from the point of view of the debt of one enterprise to another enterprise.

According to the economist A. Kozimjonov, "Obligation is a responsibility that has arisen as a result of the past and current activities of an economic entity, and as a result of the fulfillment of the responsibility, it is understood that the economic resources of the economic entity that can bring profit are given to other enterprises."

According to the economist A. Tuychiev, "obligation is a legal relationship that arises as a result of the transfer of property, performance of work, services, payment and other actions of one business entity to another entity and is the basis for subsequent mutual calculations." having the main character, that is, when it is said that the obligation can be satisfied by the transfer of assets to another entity, the performance of works, the provision of services or the payment

of money from the account number, it means that these obligations cannot be waived by the debtor enterprise. Failure to pay obligations on time can lead to various negative consequences. For example, a creditor enterprise may apply to the commercial court, demanding its payment from the debtor enterprise. As a result, the debtor company loses in court and has to pay court costs, the amount of the debt, the amount of the fine for non-payment on time, and the moral damage caused. This situation causes great damage to the enterprise and causes its financial situation to deteriorate. Therefore, economic entities are required to pay off debts on time through the delivery of products, services, performance of works or payment of money, that is, to observe payment discipline. "When it is said that obligations should not be controversial, the amount of the obligation should be the same in the debtor enterprise and this obligation should be recognized bilaterally," he says.

This economist thought about the legal relations of the obligation and the possibility of incurring costs such as fines and court costs as a result of failure to fulfill obligations on time. However, the economist did not consider the features of the account of expenses arising from debt obligations.

### **3. METHODOLOGY**

In carrying out the research work, the researches of foreign and domestic economists were used in the accounting of obligations based on the MHXS, using the methods of data collection, generalization, grouping, comparison, induction and deduction.

### **4. ANALYSIS AND RESULTS**

In our opinion, based on the above definition of economists, obligations can be defined with the following two main features:

1. Any type of borrowing from other business entities or banks and other credit organizations, which must be paid in a short or long time to improve the financial situation of business entities;
2. Future transfer of assets or their use, provision of services and other operations that bring economic benefits in return for their obligation or responsibility to economic entities shall be carried out on a specified or unspecified date.

We know that liabilities are reflected in the passive part of the balance sheet and are divided into two groups: current liabilities and long-term liabilities.

Current liabilities are liabilities that should be extinguished within a period of up to one year during the reporting period. Current liabilities mainly include wages, inventory accounts with suppliers and contractors, taxes and fees, the current portion of long-term bank loans and bonds, and other payables. In the scientific works of most scientists and other foreign literature, current obligations are referred to as short-term obligations. It is necessary to accept these two terms as one.

Long-term liabilities are liabilities that are amortized over a period of more than one year. These mainly include long-term loans, bonds, deferred tax liabilities, rent payments that are more than one year old, and other payables.

In reflecting economic processes related to short- and long-term loans and debts of economic entities, approved by the Ministry of Finance of the Republic of Uzbekistan, national standard No. 21 entitled "Plan of accounting accounts of financial and economic activity of economic entities and instructions for its application" (BHMS) is used. This national standard was developed on the basis of the Law of the Republic of Uzbekistan "On Accounting" and is considered a normative document regulating accounting, and its implementation by business entities is mandatory regardless of the form of ownership.

Obligations under this standard are divided into 2 parts. The first part, called current liabilities, is grouped on the basis of the following items:

- 6000 - "Accounts payable to suppliers and contractors";
- 6100 - "Accounts payable to separate units, subsidiaries and dependent economic societies";
- 6200 - "Accounts accounting for deferred liabilities";
- 6300 - "Accounts accounting for the receipts";
- 6400 - "Accounts accounting for debts on payments to the budget";
- 6500 - "Accounts accounting for debts on payments to insurance and special state funds";
- 6600 - "Accounts accounting for debts to founders";
- 6700 - "Accounts accounting for settlements with employees on wages";
- 6800 - "Accounts accounting for short-term loans and debts";

- 6900 - "Accounts accounting for debts to various creditors".

In the second part, it is called long-term liabilities, and it is grouped based on the following items:

- 7000 – "Long-term accounts payable to suppliers and contractors";
- 7100 – "Long-term debts to separate units, subsidiaries and dependent economic companies";
- 7200 – "Accounts accounting for deferred long-term liabilities";
- 7300 – "Accounts accounting for payments received from buyers and customers";
- 7800 – "Accounts for long-term loans and debts";
- 7900 – "Accounts accounting for long-term debts to various creditors".

Specific aspects of the creation of financial reporting and accounting obligations on the basis of MHHS differ from BHMS. The figure below shows the list of MHXS and BHXS in the organization of accounts payable.

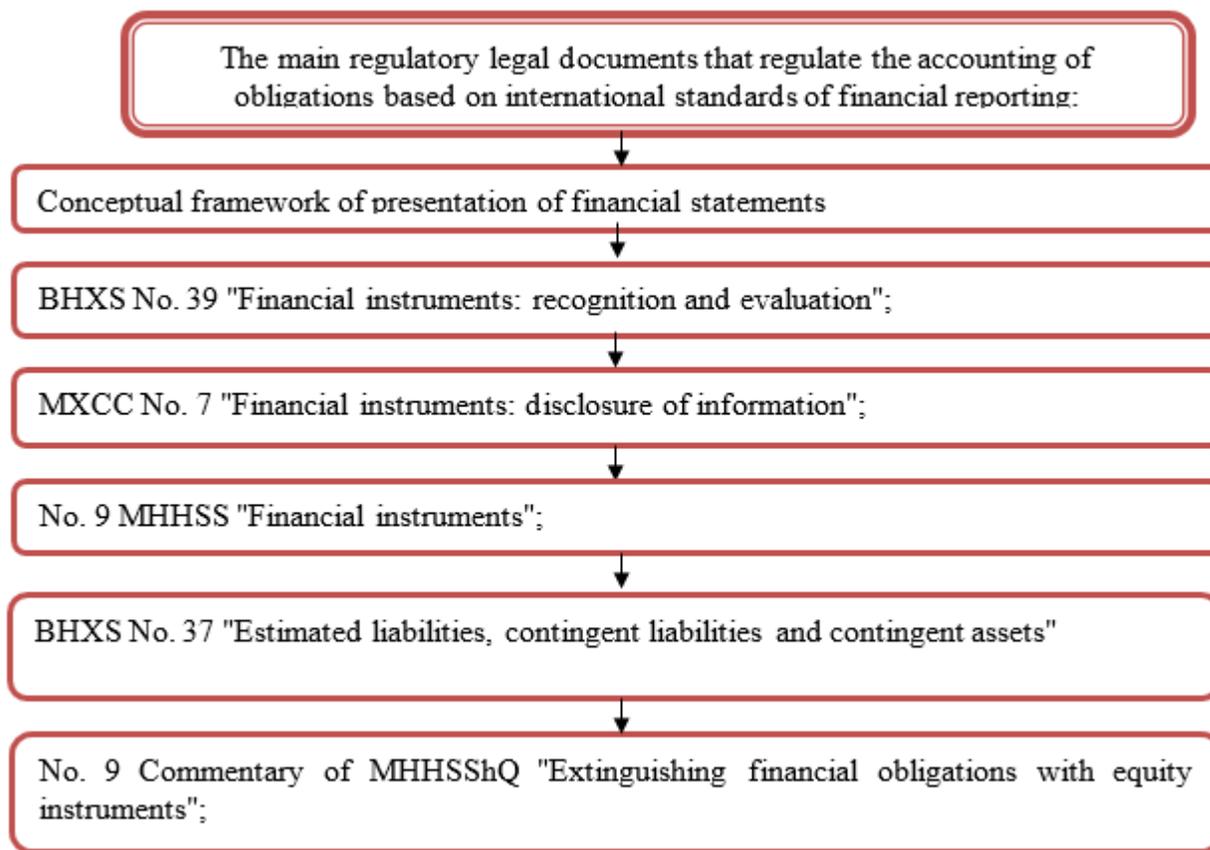


Figure 1. the list of MHXS and BHXS regulating the account of obligations

In our opinion, based on this BHHS, MHXS and many other standards, it is appropriate to divide obligations according to international standards of financial reporting into the following types:

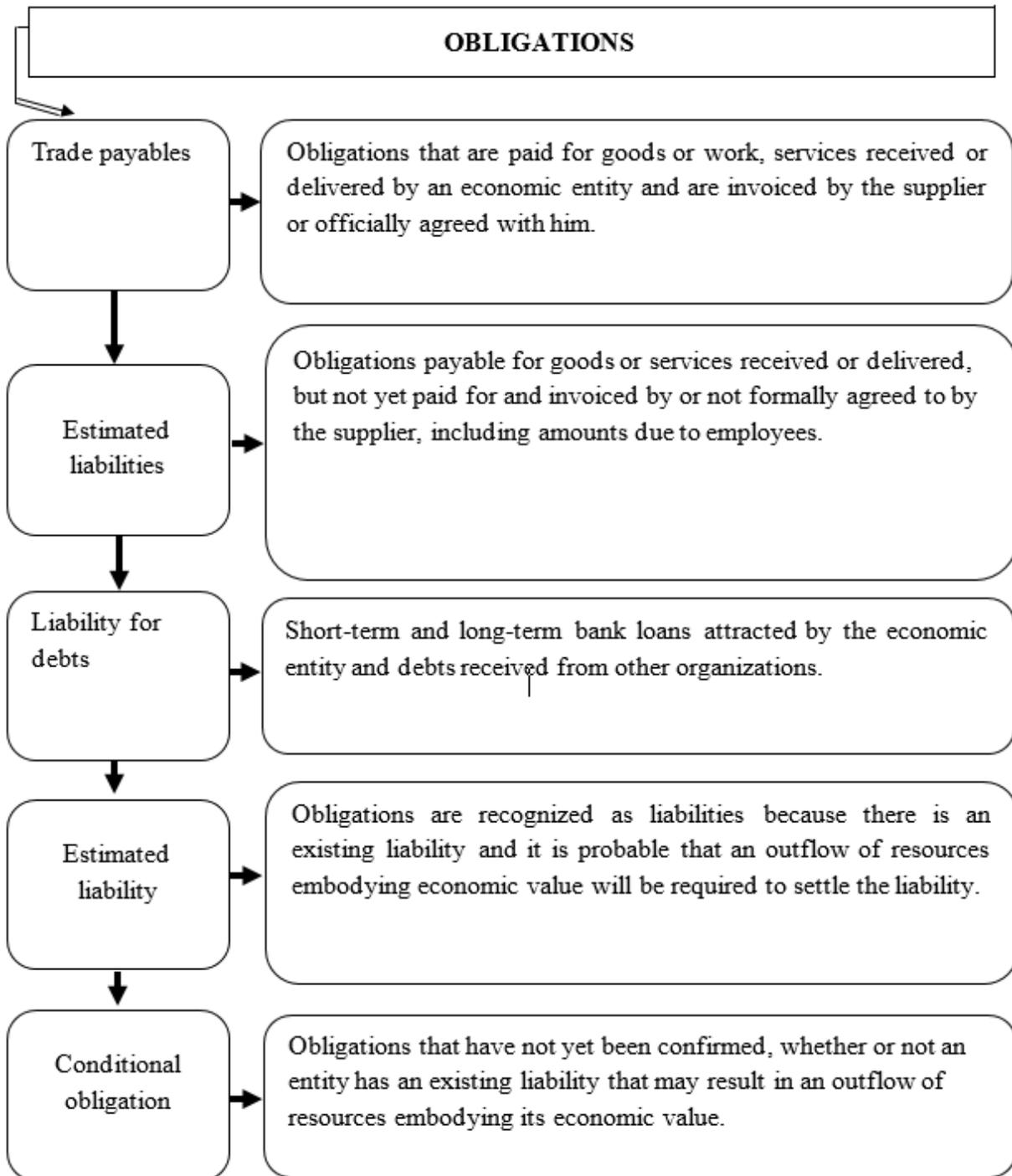


Figure 2. Grouping of obligations by types

Based on the author's approach presented in Figure 2, in our opinion, it is appropriate to divide the obligations into the following 3 groups when economic entities organize the account of liabilities during financial and management activities:

1. Obligations to the owners of the economic entity;
2. Obligations to state bodies;
3. Obligations to legal and natural persons;

## **5. CONCLUSIONS**

In the course of the conducted research, while analyzing several foreign literatures, a number of MHXSs are being developed as the main normative document in the organization of obligations according to international standards of financial reporting. For example, we can cite the following international financial reporting standards: International Accounting Standard No. 39 "Financial Instruments: Recognition and Measurement", No. 7 International Financial Reporting Standard "Financial Instruments: Disclosures", No. 9 International Financial Reporting Standard "Financial Instruments", International Accounting Standard No. 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets", Interpretation No. 9 of the International Accounting Standard "Extinguishing Financial Liabilities with Equity Instruments", No. 6 International Accounting Standard "Liabilities arising from participation in a special market" - waste electrical and electronic equipment" and others. On the basis of these international standards, it is appropriate to organize accounts of liabilities in economic entities.

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