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THE IMPORTANCE OF ACCOUNTING METHODS IN THE PREPARATION OF FINANCIAL STATEMENTS

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Abstract. In the context of the globalization of the economy and the digital economy, it is important to move to international financial reporting standards (IFRS). The use of world experience in accounting enables the formation of transparent and reliable information. In this regard, it is necessary to study the experience of compiling financial statements collected in developed countries. Accounting plays an important role in the management system. Enterprise management must have unbiased and complete information about actual costs, product costs, profits, etc., affecting business processes and financial results. Accounting plays an important role in the collection and processing of such information in the enterprise. Today, the requirements for accounting are increasing: it must meet the requirements of international standards, meet the needs of internal and external users of information, and identify reserves for improving performance. Fundamental changes are being made in the organization of accounting, in particular, in the convergence of accounting with world economic practice in our country. This article discusses in detail the methods of accounting. The importance of these methods in the preparation of financial reports is also highlighted.

Key words. Accounting, financial reporting, accounting methods, documentation, calculation, evaluation

INTRODUCTION

The accounting service is of great importance in the effective implementation of the activities of economic entities. Accounting reflects business processes, represents the financial status of economic entities and serves as a basis for making management decisions through information provision.

LITERATURE ANALYSIS.

According to Keith A. Houghton "If one accepts that communication is central to the function of accounting and meaning is critical to communication, then the study of meaning is central to the study of accounting" [1].

John Ugoani said that "Accounting information is usually in the form of periodic or annual financial statements which are products of costing, financial and management accounting prepared for the benefit of a number of external interest groups" [2].

According to other economists, "Financial reporting is a dynamic area and we see it as extremely important that the text should reflect this and be kept current" [3].

According to G.S. Allison "Financial reporting is the communication of information regarding a governmental unit's accounting activities; it encompasses a broad range of reporting activities, including presentation of the government's annual financial statements, grant applications, and related reports; financial information submitted to state and federal regulatory and granting agencies; budget-to-actual comparison reports; management reporting; and other financial reports for internal and external use" [4].

ANALYSIS AND RESULTS

Accounting staff must have a thorough knowledge of the accounting and reporting system to determine the financial position. The initial assessment of the financial position relies on the data of the accounting balance.

In the context of the globalization of the economy and the digital economy, it is important to move to international financial reporting standards (IFRS). The use of world experience in accounting enables the formation of transparent and reliable information. In this regard, it is necessary to study the experience of compiling financial statements collected in developed countries.

Accounting has different aspects than other types of accounting. Accounting focuses on continuity of operations. The objects of accounting include:

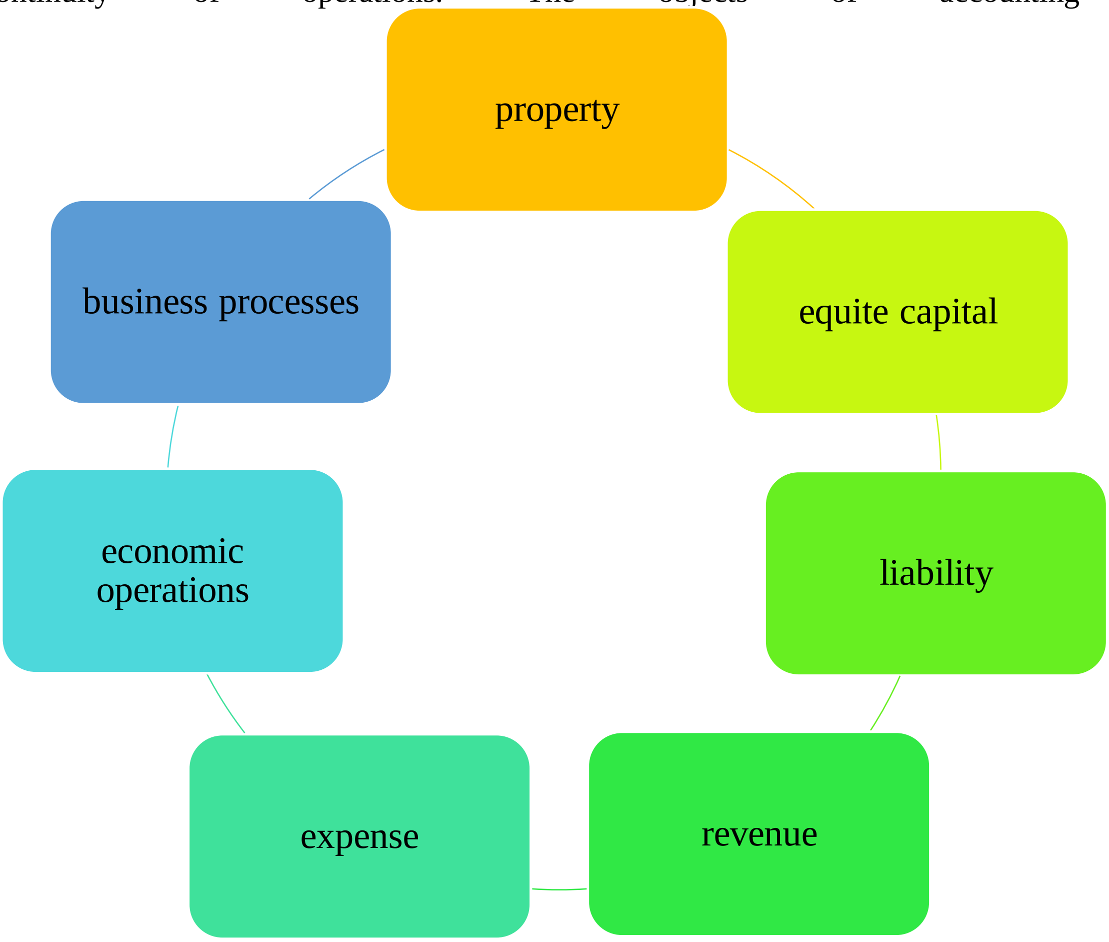

Figure 1. Objects of accounting[1]

Accounting plays an important role in the management system. Enterprise management must have unbiased and complete information about actual costs, product costs, profits, etc., affecting

[1] Made by author.

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business processes and financial results. Accounting plays an important role in the collection and processing of such information in the enterprise.

Today, the requirements for accounting are increasing: it must meet the requirements of international standards, meet the needs of internal and external users of information, and identify reserves for improving performance. Fundamental changes are being made in the organization of accounting, in particular, in the convergence of accounting with world economic practice in our country. In particular, it is necessary to improve the accounting and audit organization mechanisms.

The main purpose of accounting is to provide information about the company's activities, and it serves to prepare reports necessary for internal and external users. Therefore, it is very important to improve accounting, first of all, from the point of view of information supply.

The property of the enterprise is the main object of accounting. Assets are listed on the asset side of the balance sheet. They include fixed assets, intangible assets, long-term investments, inventories, etc. In the national standards of accounting, separate standards have been developed for the types of assets, and in these standards, the requirements for their recognition, evaluation and disclosure of information about them in financial statements have been mentioned.

Equity is the next object of accounting. Private capital is one of the sources of property formation. Depending on the form of ownership of economic entities, the composition of private capital is different. For example, emission income is available only in joint-stock companies. And not all businesses will have targeted income.

Liabilities are included in the category of main objects of accounting. They are considered debt funds for the formation of property and are mentioned in the 2nd section of the passive part of the accounting balance. Liabilities are classified on the balance sheet according to their maturity. National standards of accounting and international standards of financial reporting have different aspects regarding the classification of obligations. In particular, the categories of conditional obligations evaluated in international practice are mentioned. This type of obligation does not exist in national accounting standards.

Income and expenses are the next object of accounting. They are reflected in Form 2 of the financial statement. There are certain criteria in national accounting standards and international financial reporting standards for the recognition of income and expenses. In addition, it is necessary to comply with the requirements of the tax legislation on the recognition of income and expenses.

Business operations are also included in the category of accounting objects. All actions performed in accounting should be interpreted as a business operation and documented in a timely manner.

The last object of accounting is business processes. Supply, production and sales processes in business entities are considered as business processes. In order to ensure the efficiency and continuity of the activity, it is necessary for the management to exercise constant control over the business processes.

Accounting objects are studied through specific methods. Accounting methods include:

By applying the accounting method, information is formed about the state of the property and liabilities of the enterprise. Stakeholders, in particular, founders and owners, need information about the extent to which the property is being used and to what extent it is benefiting from it. Goods suppliers, partners and commercial banks are interested in information such as the state of obligations of economic entities, the presence or absence of overdue obligations in their composition.

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Management of economic entities should regularly monitor the composition of funds. In particular, it should assess the level of turnover of current assets. In addition, it is required to study the level of serviceability of the main tools and to constantly modernize them. It is also necessary to pay attention to the sources of funds. An increase in the amount of obligations in the structure of the source of funds can lead to a decrease in the level of financial independence.

At the end of the reporting year, income and expenses should be summed up and profit or loss should be determined based on their differences. The procedure for determining financial results is specified in the "Regulation on the Structure of Costs". When financial results are determined by the accounting service of an economic entity, it is necessary to comply with the requirements of this Regulation.

Cost of goods sold is one of the important indicators in determining financial results. This indicator represents the result of operational activity. If the cost of goods sold has a high weight in the composition of net income, the activity of business entities can be considered unsatisfactory. This situation leads to a decrease in profitability indicators.

SUMMARY

One of the main functions of accounting is to provide users with reliable information. It also serves as a source of accounting information for analysis and control. Reliable and transparent information leads to effective economic decisions.

In accounting, it is necessary to pay special attention to the timely calculation and payment of taxes. In this process, not only in the field of accounting. Tax compliance may also be required. In practice, there will always be a difference between accounting profit and taxable profit. The requirements of the Tax Code must be followed when determining the taxable profit.

All documents prepared in the course of accounting not only serve as evidence in the preparation of financial statements, but also in conflict situations with third parties. For this reason, documents are not created in only one copy. Accounting documents are also used as evidence in audits.

Inventory can be planned or sudden; all types of assets and liabilities are inventoried, they can be transferred in whole or in part.

During the inventory, information on the balance of assets and liabilities is reflected in the inventory documents. If inconsistencies between the actual existence of assets and liabilities and the accounting information are found, it is necessary to draw up reconciliation statements. When the inventory is completed, it can be checked that it was carried out correctly with the help of a control check. According to the results of the inspection, a report is drawn up and the correct inventory is recorded in a separate book.

The next method of accounting is valuation. National standards specify the procedure for evaluating fixed assets, financial investments, inventories, liabilities, income and expenses. These rules must be reflected in the accounting policy of each business entity. If it is not possible to evaluate an asset or liability, an alternative evaluation method must be provided in the accounting policy.

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