

METHODOLOGICAL ASPECTS OF ASSET IMPAIRMENT CALCULATION AND THEIR IMPROVEMENT

Sayfullayev Mekhroj Sayfullayevich

Tashkent State University of Economics, Uzbekistan

Abstract: *Methodological aspects of asset depreciation calculation are presented in this article and them based on international practice, proposals and recommendations were made for improving the accounting system of our country.*

Keywords: *book value, recovery value, value in use, net realizable value, cash flow generating unit.*

Introduction.

As a result of the increasing globalization processes in the world economy, the influence of the factors causing its instability is also increasing in various forms and levels. Situations such as the global financial and economic crises, the coronavirus pandemic, have created unprecedented uncertainty in the world economy, and as a result, the scope of economic activity has been sharply reduced, and in particular, the depreciation of the assets of economic entities is intensifying.

Currently, in the world, in the conditions of increasing international and national level competition, scientific and research work is being carried out on the actual problems related to the accounting and auditing of the impairment of assets. Assessing the level of impairment of assets in the activities of economic entities and improving the methodological aspects of accounting for asset impairment, determining the audit risk in connection with the intensity and impairment of long-term assets, reflecting the impairment of long-term assets in financial statements, and determining the management of income for the impairment of assets in the context of the IRS. is one of the priority areas of scientific research.

Literature review.

In particular, the economists of our country, UI Inoyatov, SD Yusupova, FR Salimbekova, defined moral obsolescence as follows, "moral obsolescence squeezes old objects that provide high labor productivity, which were previously in use in terms of their structure, from production until they are physically completely obsolete." [1]

The National Standard of Property Appraisal of the Republic of Uzbekistan (No. 15 MBMS) of the National Standard of Property Appraisal of the Republic of Uzbekistan (No. 15 MBMS) in chapter 6 of the standard "Evaluation of the value of machinery and equipment " states the following about mental wear and tear, ie "Mental wear and tear is the improvement of the properties and characteristics of similar devices (It is defined as "obsolescence caused by a change in technical parameters or constructive solutions, the emergence of new capabilities , greater environmental friendliness, energy saving, etc.) or a decrease in the cost of production of the series".[2]

Well-known scientists HG Nabiyev, DH Nabiyev in their works on moral obsolescence have been discussed as follows: "main funds gradually decay as a result of long-term use in the production process. Depreciation forms the material basis of depreciation of fixed assets. Decay is divided into physical and spiritual types. Basic funds. Moral obsolescence occurs as a result of the appearance of more productive elements of fixed assets".[3]

The well-known scientist N. Abdusalomova in her scientific work touched on the processes related to the wear and tear of the main tools as follows: "There are two types of depreciation of fixed assets: 1. Physical wear and tear; 2. Spiritual obsolescence. There are two types of moral obsolescence. The first is



a decrease in the value of such fixed assets as a result of the cheaper reproduction of such fixed assets, and the second is a decrease in their value due to the introduction of new and more advanced fixed assets and their technical backwardness[4].

Research methodology.

The research used induction, deduction, systematic and comparative analysis, grouping, experiment, adaptive methods, integrated approaches, analysis and approval of international experiences on the issues of asset impairment calculation and improvement of methods.

Analysis and discussion of results

The purpose of accounting for impairment is to determine the methods of correcting cases of impairment of assets that generate monetary units and non-monetary units in accounting and to transparently reflect assets in financial statements. In the world, certain standards and rules have been developed for accounting for asset impairment and related processes, accounting for asset impairment in financial statements of economic entities, consolidated financial statements. While the processes related to the calculation of impairment of assets according to International Financial Accounting Standards (IFRS) are regulated by IFRS No. 36, in some countries, asset impairment does not contradict IFRS No. 36 and their national standards have been developed based on the economic potential and characteristics of their countries.

In particular, in the USA, processes related to impairment of assets are regulated by ASC 350 US GAAP standards, in Australia AASB 136 standards are used, and in Hong Kong HKAS 36 is used in practice.

Asset impairment is defined as the amount by which the carrying amount of an entity's asset or cash-generating unit (CGU) or non-cash-generating unit exceeds its recoverable amount or, if not, its value in use.

“A unit that generates cash flows(cash generating unit) refers to a set of small assets that generate cash flows in the future as a result of the enterprise's activity. For example, for a restaurant, the tables and chairs used in the restaurant cannot be considered as a cash-generating unit, in this case, the restaurant itself is recognized as a cash-generating unit. The reason is that the table and chairs in the restaurant alone cannot generate cash flows for the restaurant, only as a result of the restaurant's operation, it has the property of generating cash flows with it.

In addition to boom, if we take as an example an enterprise engaged in the production of confectionery products, the packaging equipment available in the enterprise deals only with the packaging of biscuits and biscuit products produced by the enterprise. In this case, the packaging equipment itself is not recognized as a cash-generating unit, because the packaging equipment is recognized as a cash-generating unit together with the entire biscuit and biscuit production line. Therefore, the total depreciation cost for the entire line is considered, rather than the depreciation cost of the equipment itself.

In addition, the enterprise has packaging equipment, which packages products of other enterprises on the basis of a contract and generates cash flow for the enterprise. Since this equipment can generate separate cash flows, it is recognized as a cash-generating unit and depreciation expenses are calculated for the equipment.

The enterprise is engaged in the production of kitchen accessories. The enterprise itself produces the upper laminate part of the headset, and the other parts of the headset are produced in the departments of the enterprise located throughout the country. The top laminate parts are produced only for the headset produced in the factory, not for sale as a separate product. However, because of the high demand in the

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market for these laminate parts, we can treat the equipment that produces this laminate part as a cash-generating unit even if the laminate products are not produced for sale.

A unit that does not generate cash flows (non-cash generating unit) refers to assets that bring economic benefits to the enterprise but do not generate cash flows in the future.

For example, we can take as an example the television set or furniture in the administration building of the enterprise. These assets will not generate future cash flows for the company, but they will wear out and depreciate along with cash-generating assets.

Reimbursable value- this means the amount that the enterprise can return through the use or sale of the asset, that is, it is the value of the proceeds from the future use of this asset or, if not, from the sale of it in its current state, minus the costs of sale.

Value in use refers to the present value of the cash flows resulting from the use of this asset by the owner of the asset. This value can generate the most future cash flows if the asset is used properly. For example, it is more profitable for a farmer to build residential buildings on this land than to grow agricultural products from agricultural land located in urban areas.

Value in use is equal to the present value of the cash flows generated by the asset or cash-generating unit. Under IFRS, an impairment loss, if any, is determined by comparing the carrying amount of the cash-generating unit to the higher of the fair value less costs to sell or the value in use of the asset."¹

An entity can obtain economic benefits from an asset or cash-generating unit by selling the asset for its fair value or by continuing to use it in its operations. When an asset is sold, the net proceeds are equal to the fair value less costs to sell. If the asset or cash-generating unit is not sold, but instead used by the entity as a going concern, its value is derived from income less future costs or savings related to the asset. The value of the asset to the entity is called value in use and is estimated by discounting the asset's net incremental cash flows to the date of the impairment test.

The fair value must be determined for each asset. However, if this is not practical, most assets are developed for the cash-generating unit that contains the asset. A cash-generating unit is the smallest group of assets from which cash flows can be determined.

When estimating expected cash flows, the probability and timing of cash flows should be considered. The present value should be determined using a discount rate that reflects the current non-interest-bearing interest rate, plus any risk premium associated with the asset, such as liquidity risk, currency risk, etc. The cash flow and discount rate must be appropriate. i.e. real discount rate applied with real cash flow and nominal discount rate with nominal cash flow.

The most appropriate rate for determining value in use is the discount rate.

Impairment of assets is determined in international practice based on 2 different rules. Asset impairment is determined based on IFRS (International Financial Accounting Standards) and US GAAP (Generally Accepted Accounting Principles). (Table 1)

Table 1

Differences between US GAAP (ASC 350, ASC 360) and IFRS 36 on asset impairment²

Industry	US GAAP(ASC 350, ASC 360)	IFRS (IAS 36)
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¹Impairment of assets" No. 136 Australian Accounting Standard Board

²Information from the website. www.gaapdynamics.com

<i>Reverse devaluation processes</i>	Does not apply to reverse impairment processes	Goodwill is not subject to reversal of impairment processes. It applies if there is a change in the carrying value of other types of assets.
<i>Long-term assets: Pre-Test Processes</i>	Assets are tested for impairment either individually or as a group of assets.	It is tested for impairment as a cash-generating unit or, if not, as a stand-alone asset.
<i>Long-term assets: Test process</i>	If an asset or group of assets shows signs of impairment, the impairment test is performed in two steps.	An impairment test is performed in one step if an asset or cash-generating unit shows signs of impairment.
<i>Long-term assets: Depreciation calculation</i>	When the carrying amount of an asset (or group of assets) exceeds its fair value, the increased amount is an impairment charge.	The amount by which an asset's (or CGU's) carrying amount exceeds its recoverable amount (the greater of (1) fair value less costs to sell or (2) value in use).
<i>Intangible assets with indefinite useful lives: Pre-Test Processes</i>	At the single asset level (i.e. cannot be aggregated with other assets such as finite-lived intangible assets or goodwill)	If a single asset does not generate cash inflows that are largely independent of other assets, then the asset should be tested as part of the CGU to which it belongs.
<i>Intangible assets with indefinite useful lives: Test process</i>	At least once a year: <ul style="list-style-type: none"> An optional, one-step qualitative approach is available; A one-step quantitative approach is followed (if qualitative testing is not performed or qualitative testing is not performed) 	A one-step quantitative approach is used to calculate asset impairment in at least one step each year (qualitative testing is not applied)
<i>Intangible assets with indefinite useful lives: Depreciation calculation</i>	When the carrying amount of an asset (or group of assets) exceeds its fair value, the increased amount is an impairment charge.	When the carrying amount of an asset (or CGU) exceeds its fair value, the excess amount is an impairment charge.
<i>Goodwill: Pre-Test Processes</i>	At the level of the reporting unit (reported assets).	At the level of a CGU or a group of CGUs
<i>Goodwill: Test process</i>	At least once a year: <ul style="list-style-type: none"> An optional, one-step qualitative approach is available; A one-step quantitative approach is followed (if qualitative testing is not performed or qualitative testing is not performed) 	A one-step quantitative approach is used to calculate asset impairment in at least one step each year (qualitative testing is not applied)

<p><i>Goodwill: Depreciation calculation</i></p>	<ul style="list-style-type: none"> The amount by which the carrying amount of goodwill exceeds the fair value of goodwill. Impairment is limited to the amount of Goodwill. allocated to this reporting unit. 	<ul style="list-style-type: none"> The amount by which a CGU's carrying amount, including goodwill, exceeds the CGU's recoverable amount. Impairment first reduces Goodwill to zero and, if any if there is additional impairment, it is generally allocated to each asset in the CGU on a pro rata basis.
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Conclusions and suggestions

Based on the above, it can be concluded that the main purpose of accounting for asset impairment is to determine the real value of this asset and to correctly reflect it in financial statements.

The main tasks of asset impairment accounting include:

- determine the true value of assets and ensure their correct reflection in financial statements;
- providing correct, objective and accurate information about the enterprise to the users of the enterprise's financial reports;
- determining the losses incurred as a result of the difference between the book value of the assets and the present value of the cash flows that can be compensated or used;
- is to provide the necessary information to analyze the assets and their activities.

Determining the impairment of an asset is carried out in several stages.

First, determine the asset's recoverable amount, i.e., its market value minus the cost of selling the asset.

After that, determine the present value of the cash flow that can come from the asset during a certain period of use.

Assets are considered impaired when the greater of the present value and recoverable amount of the cash flow that may come as a result of use is compared to the asset's book value.

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