CURRENT ISSUES IN ACCOUNTING FOR FINANCIAL INVESTMENTS

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Abstract: Financial investments are financial investments of an economic entity for the purpose of participating in the capital of other enterprises or the purchase of securities issued by various issuers for the purpose of obtaining income from them.

Keywords: financial investments, dealer margins, financial assets, profit.

There are main aspects of accounting for financial investments:

- classification of financial investments for accounting purposes;

- evaluation of financial investments during implementation;

- revaluation of financial statements on the dates of their preparation;

- reflect the above aspects in the accounting policy.

BHMS No. 12 "Accounting for financial investments" requires financial investments to be reflected in financial statements, dividing them into current (with a term of up to 1 year) and long-term assets.

IFRS 39 provides for a distinction between financial assets held for sale and investments held until extinguishment when accounting for financial investments. According to it, financial assets intended for trading are financial investments made with the aim of profiting mainly from short-term fluctuations in prices or dealer margins. A financial asset, regardless of the reason for its acquisition, is classified as held for sale if it is part of a portfolio and the composition of the portfolio actually indicates the pursuit of short-term future profits. Derivative securities are always considered available for sale if they are acting as effective hedging levers. BHMS No. 12 does not provide specific guidance on the accounting of securities intended to act as hedging instruments, that is, they are considered current financial investments.

Held-to-maturity investments include financial investments that have fixed or accrued payments and a fixed maturity date that the Company is willing and able to hold until maturity. However, it is noted that the loans and receivables given by the company are excluded in the MHXS No. 39. According to BHMS No. 12, long-term financial investments should be accounted for as long-term or current financial assets, depending on when they are extinguished.

BHMS No. 21 envisages that the synthetic account of long-term financial investments should be kept on account 0600, and the account of current financial investments should be kept on account 5800.

In accordance with paragraph 9 of BHMS No. 12, financial investments directed to securities on the date of purchase should be recognized at the purchase price and reflected in the report.

The purchase value of financial investments directed to securities is understood as the combined value of their purchase price and the costs incurred for purchase. Acquisition costs include brokerage fees, customs fees, bank service charges and other acquisition costs. The purchase price is the initial value or book value of the financial investment in securities.

In accordance with Clause 11 of BHMS No. 12, if at the date of purchase the contribution of dividends and interest calculated for the period up to a certain date is included, the balance sheet value of the investment in securities is the amount remaining after deducting the amount of interest and dividends paid by the seller as a deposit. should be reflected.

Financial investments in securities may be valued at different values in the balance sheet at subsequent balance sheet dates or financial reporting dates. In particular, in accordance with BHMS No. 12 (item 15), long-term financial investments focused on securities should be reflected in one of the following values:

according to the purchase price;

by value taking into account revaluation;

according to the lowest estimate of the purchase price and the market value determined by the general investment method.

Clause 13 of BHMS No. 12 states that short-term financial investments directed to securities should be reflected in the balance sheet at market value or the smaller value of market and purchase values. If they are considered at the lower of market and purchase values, their book value is determined based on the total investment value of the portfolio of securities, or the value of securities by type, or individual investments.

When determining the book value of financial investments on the basis of separate investments, revaluation is carried out individually for each security, that is, whichever is smaller between its purchase and market (fair) values, that value is selected as the revaluation value, and at this value it is made on the date of revaluation reflected in the balance sheet. The difference between the two causes the stock's book value to increase or decrease. The increased value is carried over to the increase in private capital as a revaluation gain. The reduced value is recognized as an expense of the enterprise and is included in the statement of financial results.

In the second method, revaluation is carried out by groups of securities. In this method, the sum of the market values of the securities included in the group is compared to the sum of the market values of all the securities included in the group

In the third method, revaluation is carried out on the total investment portfolio, the purchase values of the investments in the portfolio are compared to the sum of the total market values.

When it is necessary to reflect the financial investments in the balance sheet according to their market value, it is necessary to reassess them. The market value of financial investments focused on securities is understood as their sale value at the time of sale on the financial market. Market value, in other words, is also called fair value. In the interpretation of international standards, fair value is the price at which a well-informed seller would agree to sell and a well-informed buyer would agree to buy. This valuation depends on many factors, including the profitability of the issuer, the amount of dividends paid, the financial stability of the issuer, its future position and other factors. Clause 96 of the MFRS No. 39 states that the fair value can be reliably determined in the following cases: a) the quotation of the financial instrument is published in the open active stock market of this instrument, b) the financial instrument has a rating given by an independent rating agency, and the cash flows of such debt instrument can be reasonably calculated, and c) the financial leverage has an acceptable valuation model, where the inputs to the said model can be estimated with sufficient confidence because the data is obtained from active markets.

Therefore, if the value of the financial investment reflected in the balance sheet is higher than the market value on the dates of the financial statements, the value of the financial investments in securities should be reduced to the level of the market value and reflected in the balance sheet with this value. If the value reflected in the balance sheet is lower than the market value, then the value of financial investments directed to securities should be left unchanged in the balance sheet. However, due to the slow development of the stock market in our country and insufficient information, this principle is not fully implemented in practice. Purchased securities, including shares, are mainly reflected in the purchase price (nominal value) in the balance sheet of enterprises. Changes in the market value, that is, whether it is lower or higher than the purchase price, cannot be reflected in the balance sheet.

In the national accounting standards, the requirements for the information disclosed in the accounting policies and financial statements on the accounting of financial investments are not detailed in nature. For example, BHMS No. 12 requires that financial statements mainly disclose such aspects of accounting policy as changes in the market value of current financial investments, revaluation value during the sale of revalued financial investments, large amounts of income, current value of financial investments in real estate, significant restrictions on investments.

In accordance with BHMS No. 1 "Accounting Policy and Financial Reporting", enterprises in their accounting policies for their financial investments in securities shall specify the type of valuation of financial investments in securities at subsequent dates, the accounting method that is the basis for revaluation, the names, groups or investment portfolio of securities for revaluation. they should clearly determine the periodicity.

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