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ISSUES OF ASSESSING THE JOINT ACTIVITY OF BUSINESS ENTITIES

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Abstract

Resolution of the President of the Republic of Uzbekistan No. PP-4611 dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting", Cabinet of Ministers of the Republic of Uzbekistan No. 507 dated August 24, 2020 "Recognizing the text of international standards of financial reporting and its explanations" Regulation on the procedure for obtaining", between the Ministry of Finance and the Foundation for International Standards of Financial Reporting dated November 11, 2020 "2045-UZ-MoF-Open Licence with Translation-2020", 62 MHXS documents were translated into the state language. These IAS documents are the order of the Minister of Finance of the Republic of Uzbekistan No. 61 of November 10, 2022 "On recognition of the text of international financial reporting standards and explanations for use in the territory of the Republic of Uzbekistan" by the Ministry of Justice on December 9, 2022 №3400, and they Recognized for use in the territory of the Republic of Uzbekistan.

Keywords and phrases: joint activity; dependent, subsidiary; joint activity; joint operation; parent company; reporting enterprise; significant impact; aggregated (consolidated) financial statement; dividend; equity participation; retained earnings (unreimbursed loss); net asset.

Introduction

With the Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022, "On the new development strategy of Uzbekistan for 2022-2026", the foreign economic relations of the country are being further developed. The focus is on improving the investment climate in the country and increasing its attractiveness, taking measures to attract 120 billion US dollars, including 70 billion foreign investments, and privatization of large enterprises through the stock exchange.

Today, within the framework of 62 recognized IASs in the territory of the Republic of Uzbekistan, the joint activities are regulated by:

1. International Accounting Standard entitled "Related Party Disclosures" (No. 24), "Separate Financial Statements" (No. 27), "Investments in Affected Entities and Joint Ventures" (No. 28);
2. "Business Combinations" (No. 3), "Consolidated Financial Statements" (No. 10), "Joint Activity Agreements" (No. 11), "Disclosure of Interests in Other Organizations" (No. 12) of the Financial Statement approved international standard.

11.3 percent of the 62 IASs recognized in the territory of the Republic of Uzbekistan are documents regulating joint welfare.

According to statistics, 28,827 (as of January 1, 2022) enterprises and organizations operate in the country, in which industry has a share of 18.2 percent, construction 7 percent, trade 31.1 percent, transportation and storage 2.9 percent. As of January 1, 2022, the number of enterprises operating in the Republic with the participation of foreign capital is 13,289, and joint ventures have a 45.1 percent share [9]. It should be noted that the existing 5988 joint ventures are considered objects of direct joint activity. Organization of their effective activities, proper accounting, and provision of information disclosure and transparency are today's important tasks.

Analysis of Related Bibliography.

Joint ventures are one of the organizational and legal forms of entrepreneurship. It ensures the internationalization of the method of management and reproduction in a multi-unit economy. Expands the relations of enterprises and organizations with partners. Joint ventures are a form of mixed ownership, in which state, community and private ownership are combined. Founders have the right to be state enterprises and organizations, collective farms, joint-stock societies and public organizations, citizens (individuals).

International Accounting Standard No. 28 "Investments in Affected Entities and Joint Ventures" defines the requirements for the following entities: accounting for investments, using the equity method of accounting for investments. In the third section "Tariffs" of this standard defined as: - "Influenced entity is an entity over which the investor has significant influence", "A joint venture is an arrangement for a joint operation in which the parties with joint control over the operation have rights to the net assets of the operation" [3].

Financial statement:

The international standard 3 "Business combinations" was to ensure the appropriateness, reliability and comparability of information about business combinations and their effects reflected in the financial statements of the reporting entity. According to this standard: - "A business combination is a transaction or other event in which the buyer of a business acquires control over one or more businesses..." [4].

International Standard No. 10 "Consolidated Financial Statements" defines the principles of preparation and presentation of consolidated financial statements when an entity controls one or more other entities. This standard defines: - "Consolidated financial statement - a financial statement of a group of organizations in which the assets, liabilities, private capital, income, expenses and cash flows of the parent organization and its subsidiaries are presented as belonging to a single economic entity" [5].

International Standard No. 11 "Joint Arrangements" defines the principles of preparation and presentation of financial statements by entities that have an interest in participating in jointly controlled arrangements. A joint operation arrangement is defined as an operation arrangement in which two or more parties have joint control [6].

International Standard No. 12 entitled "Disclosure of Shares in Other Organizations" provides information from an economic entity to users of its financial statements: the nature of its shares in other organizations and the risks associated with them; discloses information that allows to assess the impact of such shares on the organization's financial position, financial results and cash flows [7].

There are many accounting documents that regulate joint activities. However, it is necessary to know all of them, to study their specific requirements. After all, some of them define the theoretical basis of joint activity, while the next one is dedicated to their accounting and transactions.

Analysis and Main Results

According to the results of the analysis, the specific aspects of the joint activity in the International Standards of Accounting and Financial Reporting are: ownership interest; impact on activity; determined by calculation methodology (Table 1).

Table 1. Technique of consolidation

Share in the property,%	Effect on activity	Method of calculation
50-100	Control	Generalized consolidation
20-50	Important	Contribution
1-20	There is no effect on performance	Actual value

When the share of the joint activity participants in the property is at the level of 50-100 percent, the activity is controlled by the main organization and a consolidated financial report is prepared. 20-50 percent of the share in the property is a significant influence of the participants in the activity and the method of contribution accounting is used [2]. When the share of the group participants in the property is below 20 percent, the influence of the investors on the activity is insignificant or not at all, accounting is carried out at fair value.

Based on the studies, it should be noted that regardless of the order, technique, and specific aspects of the financial statements of joint activities, the financial analysis conducted until now based on their data was not enough to draw effective conclusions. Because the consolidation of financial reporting data is based on general indicators, in particular: solvency, asset turnover, etc., and I believe that these are not enough to evaluate the activity. Because solvency or other indicators determined on the basis of consolidated financial statements do not correspond to the level of coverage of current obligations of group participants. For this reason, based on the consolidation technique, a methodology for assessing joint activities was developed as follows:

In the first approach, the share in the property is 50-100 percent. Since there are few owners, and their share is more than 50 percent, the activity is evaluated positively depending on the increase in profit from sales during the reporting period.

In the second approach, when the share in the property is 20-50 percent, the partnership is considered effective based on the increase in profit from sales during the reporting period and the decrease in liabilities.

In the third approach, when the share in the property is 1-20 percent, the participants of the group are the majority. For this reason, an assessment of the effectiveness of joint activities was determined based on the increase in profit from sales, the decrease in liabilities and the increase in assets.

It should be noted that the efficiency of each activity must be connected with its achieved income. On the conceptual basis of financial reporting: - "Income is defined as an increase in assets or a decrease in liabilities that leads to an increase in private capital that is not related to the contributions of owners of claim rights to private capital" [8]. For this reason, it is appropriate to evaluate the results of joint activities without the contribution of private capital with the increase of assets.

Conclusions and Suggestions

There will be several participants in the joint activity. Based on the interests of participants: joint management of assets; carry out joint transactions; may form a new economic entity [1]. The result of the activity is determined by maintaining the order based on the golden rule of economics.

If the above ratios are not maintained due to the efficiency achieved as a result of joint activities, it is doubtful whether the process was profitable and whether the financial stability of each participant was ensured. After all, the instability of the economic entity was observed even in cases of profitable activity. This is directly explained by the quality of retained earnings, in particular, its concentration in receivables or other (non-cash) types of assets (Table 2).

Table 2. Criteria for evaluating joint activities

Indicator	Efficiency		
	absolute	**average**	**unsatisfied**
Status of products (work, services) (A)	A>1 or 100 %	A>1 or 100 %	A<1 or 100 %
Change in liabilities (B)	B<1 or 100 %	C>B>1 or 100 %	B>1 or 100 %
Status of Asset (C)	C>1 or 100 %	C>1 or 100 %	C<1 or 100 %

For this reason, when evaluating the results of joint activities, it is considered appropriate to evaluate the efficiency in absolute, average and unsatisfactory directions, depending on the change of indicators compared to previous periods.

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