

ISSUES OF FORMATION OF THE CONSTITUENT ELEMENTS OF COMMODITY MATERIAL RESERVES ON THE BASIS OF INTERNATIONAL STANDARDS OF FINANCIAL STATEMENTS

Chorshanbaev Umurzak Qaynarovich
is a teacher of Gulistan State University.
ORCID —0009-0006-1254-535X

Suvonkulova Zarinabonu Akmalovna
Gulistan State University " Digital
Student of the Faculty of Economics and Innovation"

Abstract. This article is devoted to the issues of forming the structural elements of inventories based on international financial reporting standards. Inventories play an important role in the activities of the enterprise, their correct accounting and reflection in financial statements are of great importance in accurately reflecting the financial position of the enterprise. The article analyzes the International Financial Reporting Standards (IFRS) and their regulatory requirements for the assessment, accounting and reflection of inventories. The main problems and solutions arising in this process are also considered.

Keywords: Inventories, Financial reporting, International Financial Reporting Standards (IFRS), Valuation, Recognition, Regulatory requirements, Financial position of the enterprise.

Аннотация. Статья посвящена вопросам формирования структурных элементов товарных запасов на основе международных стандартов финансовой отчетности. Запасы играют важную роль в деятельности предприятия, и их правильный учет и отражение в бухгалтерской отчетности имеют важное значение для достоверного отражения финансового положения предприятия. В статье анализируются Международные стандарты финансовой отчетности (МСФО) и их нормативные требования к оценке, учету и представлению запасов. В нем также рассматриваются основные проблемы и решения, возникающие в этом процессе.

Ключевые слова. Запасы, Финансовая отчетность, Международные стандарты финансовой отчетности (МСФО), Оценка, Признание, Нормативные требования, Финансовое положение предприятия.

According to Appendix No. 1 to the Decree of the President of the Republic of Uzbekistan dated February 24, 2020 No. PP-4611 "Roadmap for the phased implementation of international standards of financial reporting and modern methods of personnel training in this area", it is planned to "carry out quality control over compliance with the annual financial statements of joint stock companies with the MHS". The purpose of this is to ensure the transparency of financial statements, increase the investment attractiveness of enterprises and ensure the structure of reports at the level of international standards.

Commodity material reserves - are materials, goods, products and other tangible assets that are used or intended to be sold in the activities of the enterprise, which

play an important role in ensuring the daily activities of the company. And their proper accounting and reflection ensure the accuracy and reliability of the financial statements. International Financial Reporting Standards (IFRS) are of great importance in valuation of commodity stocks and their reflection in financial statements. The IFRS sets out several basic requirements for companies operating globally, including clear guidelines for the valuation and accounting of inventories. Also, methodological approaches on how to form, record and reflect in the report of commodity material stocks and their constituent elements play an important role. The article analyzes practical and theoretical aspects of formation of structural elements of commodity material reserves within the framework of international financial reporting standards. Proper organization of the process will increase the efficiency of the enterprise and help to accurately reflect its financial position.

Literature review

On the composition elements of commodity stocks and their accounting there is a lot of scientific and practical works. The research carried out on the basis of International Financial Reporting Standards (IFRS) proposes a range of approaches to the valuation of reserves, including the classification and reporting of expenses related to them. The available research analyzes the methodological aspects of the valuation of reserves and the problems that arise in the implementation of this process. Among the scientific work that has been done on the valuation and accounting of commodity inventories, many experts have considered the complexities that arise in the valuation of inventories and the possibilities of automating this process. However, there are also separate analyses on IFRS and its impact, which is widely used internationally.

Methodology

The article analyzes the methodology of reflection of the structural elements of commodity material reserves in the financial statements. This methodology includes the following key steps:

Determination of reserves and their constituent elements: At this stage, inventories of goods and their constituent elements (materials, finished products, goods, etc.) are determined.

Selection of assessment methods: The methods used to estimate inventories (e.g., purchase price, average price, or realized value) are analyzed.

Accounting and Reflection: The relationship of commodity inventories to expenses and revenues, their reflection and presentation in the financial statements is considered.

Problems and solutions: The main problems that arise in the accounting and reflection of commodity inventories (e.g. price changes, uncertainties in inventory management) and ways to overcome them are analyzed.

International financial reporting standards: Analysis of IFRS regulations on commodity inventories, their requirements and practical application.

By means of this methodology it is shown ways to identify the problems that arise in the formation of the structural elements of commodity material reserves and ways to solve them. Tovar moddiy zaxiralarining tavsifi va tasnifi:

Commodity material reserves – all material resources (raw materials, semi-finished products, finished products, goods, goods etc.) intended for use in production or sale activities of an enterprise, actually used or stored for future sale. They are an integral part of the operation of every enterprise, and in the financial statements they are indicated as a separate important item. Classification and types of commodity material reserves are carried out on the basis of the International Financial Reporting Standards (IFRS) and the principles of national financial statements.

The main elements of commodity material inventories:

1. Raw materials and materials: Raw materials and materials are all major resources used in the manufacturing process. They are used directly for the production of the final product. For example, in automobile manufacturing plant, metal, plastic, glass, etc. are considered as raw materials. Raw materials and materials are the most important components in a company's manufacturing process that are stored, recycled and processed into a finished product.

2. Semi-finished products: Semi-finished products are products that are made during production, but do not yet have their final form. They are usually added to subsequent production processes. For example, in enterprises producing machine parts or electronic devices, semi-finished products are part of the manufacturing process.

3. Finished product: Finished goods are goods that have passed the final stage of the production process, ready for sale or consumption. Examples of finished goods would be automobile, clothing, or electronics products. Finished products are kept as a backup, and they will be ready for sale.

Products: Commodities are products sold for the purpose of selling or distributing. Goods are the most common type of reserve in the trading activities of enterprises. Commodities are generally products that have minimal manufacturing process but are ready for sale. This includes, for example, clothing, food, electronics, and other products sold by retailers.

Products that are in Processing: These are products that are in the process of being manufactured, which are not the first finished product, but are waiting for the necessary changes to be made into the final product.

Classification of commodity material reserves and their place in international standards of financial statements:

According to International Financial Reporting Standards (IFRS), the value of commodity inventories will depend on two main factors: the cost they receive and the selling value. Acquisition cost is all costs incurred for inventories of the goods, including the costs necessary for their storage, transportation and processing. Sales value – it refers to the amount of profit received by the sale of goods. If the market value or sale value of commodity inventories is lower than the value of their acquisition, those inventories can be transferred to a loss.

The ways in which commodity inventories are reflected in financial statements relate to how an entity values those inventories and presents them in their financial statements. Commodity material inventories include products for sale of an enterprise or raw materials, materials, end products and other similar items. These reserves are

reflected in the underlying financial statements, particularly the balance sheet and the profit and loss statements.

The main calculation methods when reflecting commodity material stocks are as follows:

Assessment methods.

- There are several key methods involved in the valuation of commodity material inventories:

- Cost method: Inventories are valued at the purchased price or based on production costs. In this method, inventories are reflected on the basis of sale value or expense

- Market value method: Stocks are valued by market value. If the market value exceeds the cost, the inventories can be reflected in the market value, but if the market value changes the cost, then it can be reflected in the reduced value.

- FIFO (First In, First Out): Stocks are considered first-come, first-served (sold). In this method, the oldest stock is sold first, and the newest stocks remain in the report. The FIFO method causes the value of reserves to rise in the face of inflation.

- LIFO (Last In, First Out): New stocks will be sold first. This method leads to a decrease in the price of reserves in conditions of inflation. However, LIFO is not accepted in some countries or under certain standards.

- Average price (Weighted Average Cost): Stocks are priced at an average cost. In this method, the prices of all stocks are averaged and the value is reflected on this basis.

- The methods used in accordance with international standards in the estimation of costs of raw materials and materials make it possible to conduct accurate and fair calculations. FIFO, LIFO, average value, and cost-of-production methods have specific advantages in each market condition that help businesses to ensure effective management.

Reflection in the report of commodity inventories.

- Reflection of inventories of goods in the financial statements is mainly carried out in the following forms:

- On the balance: Reserves are shown as a separate item in the balance sheet. This indicator is usually called "inventories", and it sums up the values of all types of stocks available (for example, raw materials, finished products, semi-finished products, etc.).

- Profit & Loss Statement: Reflects gains and expenses incurred through the sale or consumption of commodity inventory. When inventories are sold, they are reflected in the profit and loss statement in relation to sales income and expenses.

1. International financial accounting standards such as International Financial Reporting Standards (IFRS) and U.S. GAAP provide clear guidelines for accounting for finished products as inventories. When taking into account finished products as a backup, the following criteria are taken into account:

2. Cost determination: Finished goods inventory is valued by the costs incurred during the final stage of the production process. These costs include direct production

costs (raw materials, labor, production costs) and actual warehousing and storage costs.

3. **Selling Value:** Since the Finished Products are Ready for Sale, they are valued at an amount that does not exceed the Selling Value. If the products in stock are valued lower than the sale price in the market, it will be necessary to recognize the loss (or downgrade the value of the stock)

4. **Accounts for the fall of the reserve value:** If the market value of the product in the inventory has decreased, the reserve value and the losses on it should be recorded. In this case, accounting for loss reduces the value of the reserve and reflects the loss in the financial statements.

Discussion and results

In order to fully bring commodity material stocks into full compliance with international standards, the following main measures should be taken:

1. **Classification and coding of commodity material reserves:** It is necessary to classify commodity material stocks in accordance with international standards based on a single classification system. This classification system should be identical on a global network, such as adopting the Harmonized Commodity System (HS Codes) or other international coding systems.

2. **Quality control and certification:** In order to compete successfully in international markets, it is necessary to carry out quality inspections and certification of products based on international standards. For example, it is necessary to comply with international standards such as ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 22000 (food safety).

3. **Study of international documents and requirements:** Study of the special requirements and regulations of each country for the export of goods. These requirements may include inspection of the goods, quality assurance, and necessary permits for transportation.

4. **Product safety and environmental protection:** According to international standards, products should be safe, which is not only due to the quality of the goods, but also to its harmful effects on the environment. For this, environmental safety standards and toxicological tests are important. For example, REACH (European Union standards for chemicals) and RoHS (safety standard for electronics and electrical appliances).

5. **Engage international auditors and advisory services:** Before launching a commodity inventory on the international market, companies can avail of international auditors and advisory services. These help organizations achieve the standards they need and optimize processes.

6. **Application of technological innovations:** For effective management of material inventories of goods new technologies and software need to be introduced. For example, inventory management, quality control, and inventory processes can be optimized by using ERP (Enterprise Resource Planning) systems and other automated systems.

7. **Adherence to international norms:** It is necessary to comply with the recommendations and rules of international organizations, such as the UN (United

Nations), WTO (World Trade Organization), ISO and other economic and legal organizations. These norms are important to ensure that goods are competitive in global markets.

8. Compliance with Laws and Regulations Governing Goods: Each country has special laws regulating inventories of commodities. Therefore, it is necessary to obtain proper permits, certificates and tax exemptions for the exported goods.

Implementation of these measures will ensure full adaptation of product inventories to international standards and successfully access to the global market will be created.

In conclusion, the article notes that a clear and correct approach to the formation of commodity material stocks based on international standards ensures the correctness of financial statements. Adherence to international standards in the determination of the value of goods not only ensures the accuracy and transparency of financial statements, but also increases global economic integration and trust between markets. The issues and solutions presented in the article offer effective methods of managing economic processes.

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