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ACCOUNTING PROCEDURE FOR ACCOUNTING RECEIVABLES BASED ON INTERNATIONAL STANDARDS

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Abstract
The article examines the procedure for accounting for accounts receivable in accordance with International Financial Reporting Standards (IFRS). Issues of classification, initial recognition, and subsequent measurement of accounts receivable, including both short-term and long-term forms, are analyzed. Particular attention is paid to the application of IFRS 9, the amortized cost method, and the use of the effective interest rate. Using a practical example, the procedure for calculating and recognizing long-term accounts receivable in accounting records is demonstrated.

Keywords: Accounts receivable, IFRS, financial assets, amortized cost, effective interest rate

Introduction

Annotation

This article examines the accounting procedures for accounts receivable under International Financial Reporting Standards (IFRS). It examines the classification, initial recognition, and subsequent measurement of accounts receivable, including current and non-current accounts receivable. Particular attention is paid to the application of IFRS 9, the amortized cost method, and the use of the effective interest rate. A practical example illustrates the calculation and accounting procedures for long-term accounts receivable.

Keywords: Accounts receivable, IFRS, financial assets, amortized cost, effective interest rate.

Abstract
Maqolada Xalqaro moliyaviy hisobot standartlari (XMHS) ga muvofiq debitorlik qarzlarini buxgalteriya hisobida yuritish tartibi ko'rib chiqilgan. Debitorlik qarzlarini tasniflash, dastlabki e'tirof etish va keyingi baholash masalalari, shu jumladan qisqa muddatli va uzoq muddatli shakllari tahlil qilingan. XMHS (IFRS) 9 standarti, amortizatsiyalangan qiymat usuli hamda samarali foiz stavkasini qo'llashga alohida e'tibor qaratilgan. Amaliy misol asosida uzoq muddatli debitorlik qarzlarini hisoblash va buxgalteriya hisobida aks ettirish tartibi ko'rsatib berilgan.

Kalit so'zlar: debitorlik qarzi, XMHS, moliyaviy aktivlar, amortizatsiyalangan qiymat, samarali foiz stavkasi.

Customer and client relationships play a vital role in any business, as the organization's financial stability, liquidity, and profitability directly depend on the timely receipt of funds. Accounts receivable constitutes a significant portion of the working assets of many companies, making their proper accounting particularly important.

In the context of International Financial Reporting Standards, the correct classification and measurement of accounts receivable is crucial, as they are considered a financial asset representing a right to receive future cash flows. The use of IFRS ensures a more transparent and reliable reflection of a company's financial position, which is important for investors, creditors, and other interested users of financial statements. The purpose of this article is to examine the accounting procedures for accounts receivable in accordance with IFRS requirements and analyze the practical aspects of their measurement and reflection in financial statements.

Literature Review

From neighboring countries, the scientist A. Yu. Zhdanov asserts that “accounts receivable of an economic entity should be understood as payments for goods, and accounts payable should be understood as the debt of the entity itself to suppliers of goods and buyers to other third-party organizations” [Zhdanov, 6].

It should be noted that the author does not cover all aspects of debt, excluding from the analysis such important elements as advances received from customers and prepayments made to suppliers and contractors.

According to another scientist, A.A. Sadykov, “accounts receivable should be understood as the property rights of an enterprise to both legal entities and individuals acting as debtors” [Sadykov, 7].

Among domestic scientists, the definition of accounts receivable and accounts payable

Scholars such as Professor A. Karimov have drawn attention to the issue of debt. In his opinion, "accounts receivable should be understood as a current asset of an enterprise, representing the enterprise's right to demand that others fulfill any obligations towards it, while accounts payable should be understood as the debts of our enterprise to other legal entities and individuals, and these individuals themselves will be our creditors." [Karimov va boshkalar, 8].

According to the Russian economist D. Mavlyanova, “accounts receivable are a part of current assets in the form of a statement from a business entity about the recovery of cash and other assets (settlement funds) that arose as a result of interruptions between a commodity transaction and the time of its payment, as well as for the repayment of debts to legal entities and individuals, payment of interest, etc.” [Mavlyanova, 9].

Research Methodology

The following methods were used in the research:

- analysis of the regulatory provisions of International Financial Reporting Standards;
- comparative analysis of the requirements of IAS 39 and IFRS 9;
- calculation and analytical method for determining the amortized value of accounts receivable;
- practical example method to illustrate the accounting procedure.

The regulatory framework for the study was IAS 32, IAS 39, IFRS 7, IFRS 9 and IFRS 15.

Research Results

In the context of International Financial Reporting Standards (IFRS), the accurate measurement of accounts receivable is crucial. IFRS allows companies to accurately determine the value of receivables they expect to receive from third parties. IFRS provides clear guidelines for the accounting of accounts receivable, which contributes to a more transparent and reliable reflection of a company's financial position.

Under IFRS, accounts receivable are classified as financial assets. This means they represent rights to receive future cash flows, making them an important part of an entity's financial statements. Under IFRS, loans and receivables are classified as "loans and receivables," meaning they must be accounted for in accordance with certain requirements and measurement standards.

Both types of financial instruments—accounts receivable and loans—play a key role in ensuring the financial strength and stability of a business entity. Accurately reflecting these instruments in financial statements is critical for assessing the financial position of a business entity. This helps investors, creditors, and other stakeholders make more informed decisions regarding their interactions with the business entity.

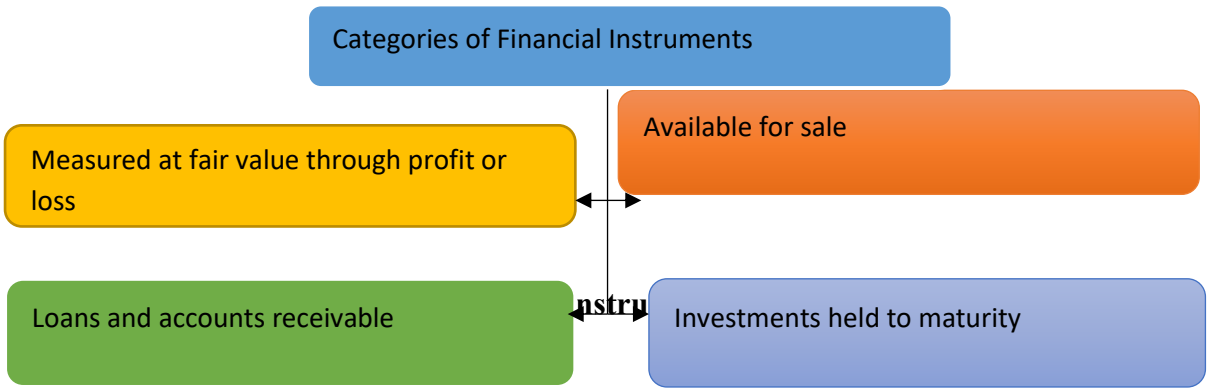
As for accounts receivable, they are classified as a financial asset in accordance with IAS 32, which regulates the classification and accounting of financial instruments.



Figure 1. Types of financial assets[1]

At the date of initial recognition, such financial assets are measured at fair value, including transaction costs. IFRS 9 also introduces new measurement categories, eliminating some existing ones in IAS 39. This is one of the key differences in accounting for financial assets under the new standard compared to the current standard.

[1]The author's developments based on research



IFRS 9 allows financial assets, including various types of accounts receivable, to be classified into one of the following categories:
at fair value through profit or loss;
at fair value through other comprehensive;
at amortized cost.
To correctly classify financial assets under IFRS 9 and possible changes in accounting methods, it is necessary to analyze business models for managing financial assets and analyze the characteristics of cash flows under the terms of the contract.
Current accounts receivable are measured at fair value upon initial recognition under IAS 39. This means that the debt or loan should be recognized at a cost that reflects the value of cash receipts expected in the future, taking into account all associated expenses or income.
Short-term receivables are not discounted because the effect of time on the short-term value of money is immaterial. However, it is important that when assessing short-term receivables, a potential allowance for impairment losses is taken into account if there is a risk that the debtor will not be able to repay the debt in full.
Long-term accounts receivable may arise from the sale of assets with deferred payment. In this case, the proceeds from the sale of the asset are equivalent to the amount of money that could be received at the time of sale if payment were made immediately. The difference between this amount and the present value of future cash flows is the discount, which is amortized in the statement of comprehensive income using the effective interest method.
If the immediate payment price of the asset is unknown, the market interest rate corresponding to bank loans with similar terms and currencies or the weighted average interest rate on loans issued to commercial enterprises with similar terms and currencies is used.
Advances and prepaid expenses are stated at their nominal value, unless the proceeds are receivable and the company intends to exercise this option. In such cases, they are stated at amortized cost using the effective interest method.
Transaction costs are additional expenses associated with executing a transaction involving a financial instrument. These costs include, for example, commissions, regulatory fees, taxes,

[2]The author's developments based on research

and other similar payments. However, some costs may raise questions regarding their classification. For example, premiums and discounts on debt instruments, financing costs, internal administrative expenses, or holding costs may require professional judgment to determine whether they are transaction costs.

Under IFRS 9, if a receivable is non-current, its carrying amount should be measured at amortized cost using the effective interest method. Amortized cost is determined by calculating discounted future cash flows using the effective interest method.

The process of accounting for and calculating the amortized cost of long-term accounts receivable in accordance with IFRS 9 includes the following key steps:

Determination of initial cost: At initial recognition, receivables are measured at their fair value, including transaction costs (e.g., commissions, legal fees, and other direct acquisition-related expenses).

Discounting Future Cash Flows: For long-term receivables that must be amortized, the future cash flows associated with the asset are used. These flows are discounted using the effective interest rate (EIR), which is determined so that the present value of the future flows matches the asset's initial cost.

Application of the effective interest rate (EIR) method: EIR is

The rate that exactly discounts future cash flows to their present value. It includes all transaction costs and other associated expenses. Calculating the EPR requires taking into account all cash flows (principal repayments and interest) that could be received from the asset.

Asset Amortization: After initial recognition, the amortized cost will vary based on accrued interest, which is calculated using the effective interest rate. As the receivable is collected, its amortized cost will decrease to reflect the interest accrued over the period.

Interest recognition: Interest accrued on long-term receivables is subsequently included in profit or loss, reflecting the time value of money. Interest is calculated based on the amortized cost of the receivables, which allows for a more accurate accounting of the economic reality of the contract.

Review and accounting for impairment allowances: For long-term receivables, it may also be necessary to account for an impairment allowance if there is doubt about the debtor's ability to repay the debt. This may also require a review of the asset's depreciated value.

The calculation of depreciated cost is performed using the following formula:

$$(1) \quad ДЗпс = \frac{номинальное\ значение\ дебиторской\ задолженности}{(1+учетная\ ставка)^{год}}3$$

The procedure for calculating depreciated cost can be examined using a practical example. On January 3, 2020, Urganch Bakhmal LLC sold products to a customer worth 170,738,230.85 with a payment deferral until 2022.

year ending December 31. Effective interest rate is 14%. Let's find the present value of revenue:

3 MXC PricewaterhouseCoopers. All rights reserved. This material was prepared by PwC Academy for the 2018 DipIFR exams. 0211-c. file:///C:/Users/SamISI-ATM/Downloads/Учебное_пособие_дипифр 2018.pdf

170,738,230.85/(1+0.14)3=115,243,442.55

It follows from this that the amount of accounts receivable as of January 3, 2020 is 115,243,442.55 sum.

Table 3.6 Calculation of the amortized cost of long-term receivables of LLC "Urganch Baxmal"

Date	Amortized cost at the beginning of the reporting period	Effective interest rate	Amortized cost at the end of the reporting period	Date
A	1	2 (1*14%)	3 (1+2)	
03.01.2020	115 243 442.55	16 134 081.95	131,377,524.5	January 3, 2021
03.01.2021	131,377,524.5	18 392 853.43	149 770 377.93	January 3, 2022
03.01.2022	149 770 377.93	20 967852.91	170 738 230.85	December 31, 2023

Let's consider the order of reflection on the accounting accounts

D-t 0940 "Other long-term accounts receivable" 115,243,442.55

K-t. 9010 "Revenue from sales of finished products" .... 115,243,442.55 soums

This entry means that, assuming the accounts receivable are paid in three years at an effective rate of 14%, revenue of 170,738,230.85 will amount to 115,243,442.55 on the date 03/01/2020. By the end of the reporting period on 03/01/2021, the amount calculated at the effective rate of 16,134,081.95 will be recognized as financial income.

D-t 0940 Other long-term accounts receivable 16,134,081.95

K-t 9530 Interest income 16,134,081.95

At the end of the second year, the amount of financial income calculated at an effective rate of 14% is equal to:

D-t 0940 "Other long-term accounts receivable" 18,392,853.43

Credit 9530 “Interest Income” 18,392,853.43

By January 3, 2022, the amount of 149,770,377.93 will be transferred to current debt, as this is the debt repayment date. The following entry will be made in accounting:

D-t 4010 “Accounts receivable from buyers and customers” 149,770,377.93

Account 0940 "Other long-term accounts receivable" 149,770,377.93

The following entry will be made for the amount of income in the form of interest:

D-t. 4010 "Invoices received from buyers and customers" 20,967,852.91 sum

Credit 9530 "Interest Income" 20,967,852.91

Once the amortized cost is determined, the difference between this cost and the book value constitutes a reserve. This reserve reflects the expected loss from not collecting the full amount of the debt and helps ensure a more accurate presentation of the company's financial position.

Conclusion

The analysis shows that the application of IFRS 9 significantly improves the accuracy of accounts receivable valuation compared to the previously applicable standard, IAS 39. The use of amortized cost and the effective interest rate allows for the time value of money to be taken into account and the economic substance of contractual relationships to be reflected.

At the same time, accounting for long-term receivables requires a high level of professional judgment, particularly in selecting the discount rate and assessing credit risk.

Accounts receivable are an important element of financial reporting and have a significant impact on an organization's financial position. The application of International Financial Reporting Standards provides a uniform and consistent approach to their recognition, measurement, and disclosure.

Using the amortized cost method and the effective interest rate allows for a more accurate reflection of future cash flows and financial results. This improves the transparency of reporting and the quality of management and investment decisions.

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