

## Improvement of Accounting Policy and Its Aspects

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**Abstract:** The article analyzes approaches to the legal and regulatory regulation of accounting policy formation in the context of the digitalization of our Republic's economy, its structural composition. Also, the features and problems of forming accounting policies for the purpose of managing the financial and economic activities of organizations, accounting and tax accounting in the development of the digital economy were investigated. Proposals and recommendations have also been developed for dividing accounting policies into aspects.

**Keywords:** accounting policy, accounting, tax accounting, methodological aspect, technical aspect, organizational aspect, innovation and digital economy.

**Introduction.** In the context of economic digitalization, the most important and fundamental task of accounting in organizations is the formation of reliable, complete information based on which it is necessary to perform the main functions regarding their economic activities, its income and expenses, assets, liabilities, etc.

Undoubtedly, accounting must account for and implement reliable and useful information about organizations in a timely manner, in accordance with unified established rules that ensure maximum efficiency. It is the selection and establishment of these rules that are established in the accounting policies of organizations, which subsequently exert a significant influence on their financial results. To date, it is required to harmonize accounting and tax accounting in organizations in accordance with international standards. Analysis and research results show that in the modern process of digitalization, there are certain problematic issues in organizing accounting and tax accounting in organizations. In the positive resolution of these problems, it is important to develop an accounting policy and correctly formulate and approve the issues reflected therein. Therefore, developing solutions to these problems determines the relevance of this article.

**Literature review.** Issues related to the formation of accounting policy in organizations and its structural aspects have been at the center of attention for many economists and practitioners. In their research papers, monographs, articles, and abstracts, as well as in the development of methodological and regulatory documents by practitioners, various approaches, proposals, and recommendations are presented.

Therefore, we will focus on these sources. In the research work of J.E. Kurbanbaev, a definition is provided: "...accounting policy is understood as a set of methods, principles, and foundations applied by the organization's chief accountant or their deputy to maintain accounting records and prepare financial statements" [1].

Approaches of O.S. Gorbunova et al. "An organization's accounting policy is a document containing information on how accounting and tax accounting are conducted in a specific organization" [2].

According to V.P. Astakhov, "Accounting policy is the primary document regulating the main aspects of organizing and implementing the accounting process of business entities" [3].

In the article by V.V. Bashkatov and A.I. Logvina, "An organization's accounting policy is a set of accounting methods adopted by the organization—preliminary observation, value measurement, current grouping, and final generalization of economic activity facts" [4].

According to R.D. Dusmuratov and B.M. Dzhuraev, "Accounting policy is an internal regulatory document consisting of a system of interconnected principles, requirements, forms, methods, and means formed by a business entity through the selection of the optimal among alternative options approved by the organization's regulatory legal acts, the maintenance of accounting records, and the preparation of financial and other reports" [5].

In our view, despite the fact that the content of accounting policy is covered in the aforementioned studies, issues related to its structural aspects have not been widely addressed.

**Methodology.** The article employs systems approach, analysis and synthesis, grouping, induction and deduction, logical inference, comparative data comparison, and other methods.

**Results and discussion.** One of the most important documents of organizations that allows for the establishment of financial and tax rules for accounting is the accounting policy. The organization's strategy and tactics depend on the formation of accounting policy. It must include reasonable and economically sound accounting rules, as these rules subsequently directly influence the efficiency of using all organization resources, expanding equity, and business.

Thanks to the accounting policy, external and internal users analyze the completeness and reliability of reporting indicators regarding the financial and economic activities of a business entity for a specific period and the assessment of its economic activities. To carry out the organization's financial and economic activities, it is necessary to form its accounting policy.

The formation of accounting policy is regulated by the National Accounting Standard of the Republic of Uzbekistan No. 1 "Presentation of Financial Reporting and Accounting Policy."

According to this standard, "accounting policy refers to the set of methods applied by the organization's head for maintaining accounting records and preparing financial statements, including their principles and foundations" [6].

IFRS No. 8 "Accounting Policy, Changes in Accounting Estimates and Errors" recognizes that an accounting policy is defined principles, foundations, generally accepted conditions, rules, and practical approaches applied by an organization during the preparation and submission of financial statements [7].

NBU No. 1/2008 provides a definition of accounting policy, namely: "an organization's accounting policy refers to its adopted accounting system—a set of methods for preliminary observation, value measurement, current grouping, and final generalization of economic activity facts" [8].

If we analyze the definitions of accounting policy, all three definitions do not provide a complete understanding of accounting policy. Because in these definitions, the primary emphasis is placed on the organization and the head of the organization.

Accounting policy in the organization is developed by the chief accountant and their employees. The organization's head approves it and monitors its execution. In this regard, I consider it appropriate to define accounting policy as follows.

It would be appropriate to provide the following definition: "Accounting policy is a set of principles, foundations, conditions, rules, and methods independently developed and selected by the organization's accountants based on registered documents regulated by regulatory legal acts on accounting."

This definition provides a more detailed description of the instruments, goals, and objectives of accounting policy for any organizational, legal, and economic forms. Accounting policy must comply with the requirements imposed upon its formation and the fundamental principles [9].

The main principles provide for property separation, continuity of activity, consistency in the application of accounting policy, and the temporal reliability of economic activity facts. All economic entities are required to fully adhere to these basic principles.

Principles and requirements, including completeness, caution, the predominance of content over form, calculation, consistency, and rationality, may not be fully taken into account, as their selection is influenced by the organization's specific activities.

Non-compliance with principles often occurs as a result of using accounting policy templates. A correctly drafted accounting policy is of great importance, as it ensures the effective tactics and strategy of the organization's activities. Therefore, the chief accountant faces an important and complex task: the competent and professional formation of the organization's accounting policy.

Selected methods for forming accounting policy, for example, influence the cost of finished products, goods (works and services), expected and received profit, tax calculation, financial condition indicators of the business entity, etc.

If errors are made during the formation of accounting policy, negative consequences may arise, specifically:

- inconsistencies in accounting processes;
- lack of efficiency in accounting;
- incomplete reflection of accounting objects;
- lack of simplified document management, etc.

Undoubtedly, this leads to the distortion of financial reporting, making it unreliable and incomplete, which reduces the trust of various users in these accounting data, reduces the competitiveness of the business entity, and reduces its investment opportunities.

Therefore, every organization requires a serious approach to developing accounting policy, taking into account modern regulatory and legislative frameworks. Independently formulates the accounting policy, taking into account the specifics and scope of the organization's activities.

To this end, the organization's chief accountant is obliged, within ninety days of the organization's creation, to form the accounting policy and ensure its relevance in the process of financial and economic activities. At the same time, the accounting policy must be applied without changes from year to year in accordance with the legislation. However, in accordance with the legislation, changes to the accounting policy may be made in the following cases:

- if changes have been made to the requirements of the legislation;
- when developing or choosing a new accounting method, the use of which improves the quality of information about the entity;
- significant changes in the activities of the business entity.

In our view, it is appropriate to divide the factors influencing the formation of accounting policy into two groups. Specifically: factors dependent on the organization and factors independent of the organization.

The first group of factors may include the tax regime, the organization's scope of activity, its size and legal status, organizational and technological features, material resources, long-term goals, or personnel qualifications, etc.

Independent factors include the economic policy pursued in the country, tax policy, currency policy, the existence of any benefits or restrictions, pricing procedures, economic crisis, and other force majeure circumstances.

Thus, the primary objective of the accounting policy being developed is the maximum full and reliable disclosure of information regarding accounting objects and the activities of a specific organization in accounting and reporting. However, the development of accounting policy requires compliance with the procedures and principles established in the NAS.

Developing an accounting policy for the chief accountant requires great labor, the income from which is doubtful for the accountant. Accounting policy has a specific structure. In our view, the components of the organization's accounting policy can be classified as follows (Fig. 1).

In the organizational aspect, issues regarding the organization of the accounting process are considered to obtain complete and reliable information about the financial and economic activities of the enterprise, as well as to monitor the movement of resources, goods, finished products, and to ensure the rational use of resources in production. In this regard, including the process of organizing accounting services, it helps to systematize information using accounting documents and financial reporting (organization of accounting services, centralized structural units; accounting apparatus; accountant; organization; contract work).

In the technical aspect, it provides for the organization of document flow, the organization of control and inventory to verify the compliance of accounting data with actual data, the formation of a working plan of accounts to fill in analytical accounting data, taking into account the specifics of the activity, the method of organizing accounting registers (from journals, statements, books, and approved forms (memorial-order form; journal-order form; simplified accounting form established for small enterprises), etc.

The methodological aspect exerts a significant influence on the procedure for forming the financial results of the organization's economic activities and assessing the state of property.

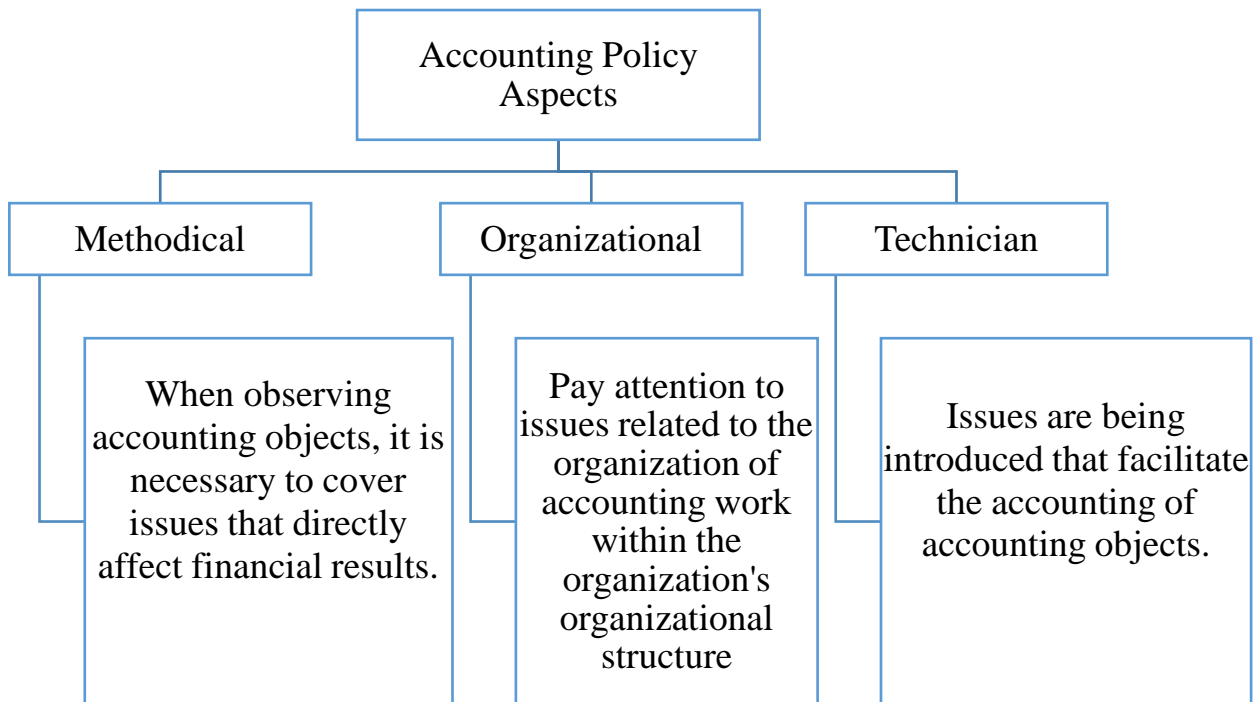


Figure 1. Accounting Policy Structure<sup>1</sup>

It reflects the selected methods for observing accounting objects and information regarding the financial results of the economic entity's activities.

The methodological aspect of accounting policy also includes:

- valuation of assets and liabilities (basic assets; intangible assets; financial investments; material current assets);
- methods for accounting for production (accounting and evaluation of finished products; write-off of indirect costs);
- methods for grouping and writing off production costs (cost accounting; direct, general production, and general economic costs);

<sup>1</sup> Develop by the author

- methods for calculating depreciation on depreciable objects (fundamental assets and intangible assets);
- methods for forming financial results from the sale of finished products (works and services);
- methods for forming financial results from other types of activities, etc.

The chief accountant forming the accounting policy must have the development of financial and economic activities in mind, understand how the chosen specific accounting method can affect financial reporting indicators, and this requires a high level of qualification from the specialist.

When forming all aspects of accounting policy, the chief accountant must rely on regulatory legal documents (NAS, IFRS, regulations, instructions, procedures, rules, methodological guidelines, chart of accounts, etc.), so this process, as noted above, requires some time from accountants.

The process of forming accounting policy is variable in nature and ensures the volume of accounting work and processed documents, the management of accounting processes, the work and responsibility of structural units, and the development of an internal control system. After the formation of the accounting policy is completed, it must be approved by the head of the organization. However, when forming an accounting policy, many problems arise that require analysis.

For example, the chief accountant, in order to save time when forming an accounting policy, may use the NAS, taking into account the characteristics and specifics of the organization's activities. Problems may also arise in coordinating the set goals for making decisions on choosing property valuation methods, accounting methods, etc., and the goals of the organization's management related to the formation of accounting policy. The presence of such problems may distort the actual state of the organization's activities and limit the possibilities of using information for management and other purposes.

Currently, great changes are taking place in our country's economy as well. At this stage, the main economic factor in the development of various economies is information, which manifests in various forms, i.e., innovative changes, stages of digitalization, resulting in new technologies in the fields of electronic document management, electronic banking, online stores, cloud services, accounting and tax accounting, financial reporting formation, etc.

Since the market economy is an open economy, it becomes necessary to maintain and form financial reporting in a uniform manner. In this regard, regulatory legal acts in our country are also being improved based on International Financial Reporting Standards (IFRS).

In accordance with IFRS, organizations preparing financial statements must provide for maximum harmonization of accounting norms and principles with IFRS when forming accounting policies.

For example, in accordance with IFRS, the accounting policy being drafted contains a professional judgment that provides greater freedom to accounting personnel, whereas our standards do not provide for such actions. As a result, this cannot but influence the nature of financial and economic activities, the development of new forms of accounting, and the formation of the organization's accounting policy.

With the introduction of new modern technologies and innovations, and the introduction of digital technologies into accounting at the current stage, new opportunities are being created for the formation of new ways, methods, and techniques for their consolidation in accounting policy.

In particular, the consolidation of a modern automated form of accounting in accounting policy allows for a reduction in the labor intensity of accounting and analytical work, the formation of reports, and their submission to tax authorities in electronic form.

The innovations introduced into accounting lead to ensuring the completeness and reliability of accounting data, significantly reducing the labor intensity of accounting work, ensuring the efficiency of accounting and analytical operations, saving financial resources, and reducing accounting personnel.

Electronic document management, reinforced by accounting policies, allows for a reduction in document processing time, document exchange, and the signing of documents and reports with electronic signatures not only with internal structures but also with various counterparties outside the organization. However, the application of new technologies in the accounting system requires the

involvement of highly qualified personnel not only in the fields of accounting and taxation but also in the field of information technology. At the same time, in the absence of qualified professional personnel in organizations, serious difficulties and some errors may arise in process accounting and reporting.

In cases where the requirements of an organization's accounting are significantly different from tax requirements, the goals of accounting and tax accounting shall be harmonized within the accounting policy. Therefore, accounting policy regulates the taxation procedure for organizing and forming tax registers, as well as revealing all features of taxation, especially in cases where tax legislation acts contradict one another or where provisions established by legislation are absent (combining several tax regimes).

Many organizations attempt to bring accounting and tax accounting closer together to reduce labor costs, reduce possible errors and corrections, and simplify internal control, but this is not always effective. In particular, when accruing depreciation on fixed assets using the straight-line method, i.e., a method compatible with accounting and tax accounting, the renewal of fixed assets is delayed.

Accounting policy for tax accounting purposes is necessary for the timely calculation and transfer of relevant taxes and the protection of the organization's interests before the tax inspectorate.

In our opinion, it is advisable for the accounting policy for tax accounting purposes to consist of three sections:

first department - organizational and technical department (tax register system; document management system, etc.);

second section - selection of tax accounting methods;

the third section defines the procedure for calculating taxes for which there are no legal norms.

The primary objective of accounting policy for tax accounting purposes is to minimize the tax burden, ensure the timely formation of complete and reliable reporting, and optimize business operations. At the same time, it should be noted that bringing accounting and tax accounting closer together in accordance with international standards when forming an organization's accounting policy is a rather complex task.

As noted, the accounting policy establishes the procedure for determining the value of assets and liabilities, the taxation procedure, and the nature of the organization's pricing policy. Therefore, without studying accounting policy, it is impossible to analyze the indicators of the organization's financial and economic activities and economic resources.

Innovative processes and the rapid development of the digital economy may lead to the introduction of artificial intelligence into the accounting process in the near future.

Artificial intelligence, expected and predicted by specialists, requires more effective management of the economic entity, simplification of accounting and tax accounting, ensuring the possibility of correct organization and independent accounting by the head of the enterprise, company, not only small business, but also large business. However, for such innovations, management personnel training is necessary, as long as such training is not at a tangible level; therefore, it is inappropriate to conclude that the public will no longer have a need for accounting specialties and specialists in the field of accounting.

An organization's optimally formed accounting policy allows for the saving of economic resources and ensures the effective adoption of management decisions.

Consequently, accounting policy influences the management decisions made by managers interested in the organization's activities. The development of market relations in any state is accompanied by crisis phenomena, requiring organizations to seek effective management solutions. Such management decisions and the optimization of financial and economic activities depend on the accounting policy adopted according to the methodology for the correct organization of financial and management accounting.

In the management accounting system, for the purpose of making management decisions, information regarding activity results, i.e., expenses and income, is formed at the lower levels. The organization's management independently decides which links to reflect management objects in.

Through management accounting, an organization can increase the efficiency of its financial and economic activities, improve tax planning, and improve its pricing policy when forming its accounting policy. Also, accounting policy is based not only on accounting and tax accounting but also on the financial management of the enterprise.

**Conclusion.** Thus, the organization's accounting policy is one of the primary elements of the strategy and tactics of the economic entity's financial and economic activities.

It remains the primary regulatory document influencing management activities, the administration's optimal decisions, and the most relevant aspects of the organization's accounting and tax obligations.

However, the formation of accounting policy is a complex process that requires the presence of qualified specialists, modern technicians, as well as financial capabilities.

The acceleration of innovative development and the digitalization of the economy will lead to significant changes in the forms, methods, and techniques of accounting and financial reporting. These changes require further improvement of accounting policy, increasing the efficiency of financial and economic activities, and developing the harmonization of the national accounting system with international standards.

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