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Features of Organization of Accounting In Free Economic and Small Industrial Zones Based on International Standards of Financial Reporting

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Abstract: The article describes the theoretical basis of free economic zones, their attractiveness and the need for evaluation criteria, which are considered the main factor for social and economic growth of the country. Accounting and financial reporting in free economic and small industrial zones are required in accordance with international standards of financial reporting. Mazu problems are studied and scientifically based conclusions are given.

Key words: investment, investment attractiveness, free economic zone, small industrial zone, special economic zone, financial reporting, international standards of financial reporting.

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INTRODUCTION

If we pay attention to the history of economic development, in recent years, in the experience of rapidly developing countries, the establishment of free economic zones has gained special importance in achieving production that meets world standards, creating favorable conditions for attracting foreign investment, especially foreign direct investment. Economic approaches in economic and small industrial zones have become the main direction of development of these countries.

In the "New Development Strategy of Uzbekistan for 2022 - 2026", strengthening of economic stability in our country, active attraction of foreign, first of all direct foreign investments in economic sectors and regions, creation of favorable conditions for the development of private entrepreneurship on the basis of state-owned privatized objects, regional , many tasks for complex socio-economic development of districts and cities have been defined. In our country, the work on increasing the efficiency of free economic zones, technological parks and small industrial zones and establishing new ones is gaining importance [1].

The accounting established in the entities of the free economic and small industrial zones should ensure the continuous monitoring of economic transactions occurring in the course of economic activity and the expression of their results in numerical indicators, and then their reflection in special documents. In addition, organized accounting has the characteristic of providing the necessary information for the preparation of the enterprise's business plan and strategic programs for future implementation, as well as the practical control over their implementation, as well as the effective use of internal capabilities.

In order to implement economic processes in each country, on the basis of the economic laws specific to the national economy, uniform standards of accounting are developed and the functions of accounting are determined. Including, in our country, the Law "On Accounting" was developed and a unified legal basis of accounting was created

(Law No. 279-II dated August 30, 1996, newly revised Law No. 404 dated April 13, 2016). Relationships related to accounting and reporting are regulated by this law and other legal documents. Based on this law and International Financial Reporting Standards (IFRS), national accounting standards (NAS) were developed and put into practice.

In the free economic and small industrial zones, a wide range of work was carried out to harmonize financial reporting with financial reporting standards and to strengthen its regulatory and legal framework, and certain results were achieved. In particular, procedures for transitioning to international standards of financial reporting, auditing and publishing them based on international audit standards have been put into practice. As a result of the implementation of international standards, joint-stock companies and enterprises with foreign investments in our country are starting to draw up financial reports on the basis of international standards. However, these achievements do not mean that financial reporting problems in free economic and small industrial zones have been completely solved.

In this regard, in the decree of the President of the Republic of Uzbekistan dated February 24, 2020 No. PQ-4611 "On additional measures for the transition to international standards of financial reporting" it is necessary to attract foreign investors in free economic and small industrial zones by accelerating the transition to international standards of financial reporting providing the information environment and expanding access to international financial markets, as well as improving the system of training of accounting and auditing specialists according to international standards.[2]

The minister drew attention to the issue of strengthening the organizational and legal basis of additional opportunities, privileges and preferences given to business entities and entrepreneurs who operate in free economic zones and small industry, as well as pharmaceutical zones, which produce products for export, organize innovative, high-tech productions in our country. In particular, the members of the parliament noted the need to develop regulatory legal documents that aim to fully demonstrate the investment potential of our country to the world business community in order to attract foreign investments, and define unified, comprehensive approaches to the formation of investment projects by regions and sectors for investors seeking to invest. It was emphasized that the Law "On Free Economic Zones" adopted on April 25, 1996, which regulates the legal relations of free economic zones, should be revised based on today's requirements and further improved in accordance with the spirit of the times.

2.Literature Review

Many foreign and local economists and researchers have conducted scientific research on the organization of accounting in free economic and small industrial zones based on international standards, their development, and their role in the regional economy.

According to K. Yeongjin, the policy of establishment and management of small industrial zones in China coincided with the policy of attracting foreign capital to the national economy [7].

According to R. Özpeynircia and others, accounting is an activity that teaches the use of tools, methods and techniques followed in the process of collecting information that is very important for business and can influence decisions, and is aimed at classifying, reporting and evaluating this information [10].

According to the approach of M. Shollapur and others, the accounting theory suggests that financial statements reduce information inconsistencies by disclosing important and current information [8].

According to M.M.Boguslavsky, "In international practice, free economic zones of states are understood as free economic zones", where special favorable conditions for the operation of foreign enterprises are created to solve specific economic and other tasks [4].

According to T.P.Danko's interpretation, free economic zones are evaluated as "... a mechanism for creating a favorable investment environment and stimulating production, trade, and scientific activity" [5].

S.N.Tashnazarov said that all issues related to the transition of NAS to international standards are related to the change of the reports prepared in accordance with the laws of Uzbekistan to the standards on IFRS, to some extent [9].

S.A.Djumanov states that the state allows enterprises-organizations and commercial banks with economic and social interests to draw up their financial reports based on international standards and has created legal conditions [6].

According to Sh.A.Karaboev, the main goal of the establishment of free economic zones is to join the country to the ranks of the developed world community in a short period of time and to accelerate the attraction of foreign investments [11].

3. Research methodology.

Statistics, comparison, grouping, expert evaluation, observation, generalization, analysis and other methods were used to cover the topic of this article. Organization of accounting in free economic and small industrial zones on the basis of international standards of financial reporting, focusing on investment attractiveness of financial reports and ensuring the consistency of reports. A scientific conclusion was reached based on the information and comparative analysis and observation.

4. Analysis and discussion of results.

In the following years, in our country, on the basis of in-depth processing of local mineral and raw material resources, the establishment of modern enterprises that ensure the production of competitive products with high

added value, the comprehensive and effective use of the production and resource potential of the republic's territories, thereby creating new jobs and increasing the income of the population special attention is being paid to the creation of free economic and small industrial zones as an important factor of attracting foreign, first of all, direct foreign investments.

The selection of investment projects to be placed in free economic and small industrial zones, the procedure for allocating land, ensuring the use of raw materials and materials, requires the creation of a principled new system of allocating credit resources to business entities. To create an extremely favorable business environment for attracting foreign and domestic investments to the establishment of high-tech modern productions for the in-depth processing of mineral raw materials and agricultural resources, which ensure the production of competitive, high-quality products with high added value, which are popular in foreign markets, as well as the development of the regions of the republic complex and effective use of production and resource potential, based on this, the creation of new jobs and increase of population income[3] were specifically mentioned.

In particular, a strong legislative and regulatory framework has been created to regulate the activities of these zones, which is considered one of the main aspects that will help attract foreign and local investments for their development.

Accounting entities operating in free economic zones are similar to accounting entities operating in other regions of the republic. However, special regimes and privileges established in free economic zones create special features related to accounting in free economic zones.

The establishment of free economic zones on the territory of the country, as well as the registration and operation of economic entities in them, are regulated by legislation, as in all sectors and branches of the economy (Fig. 1).

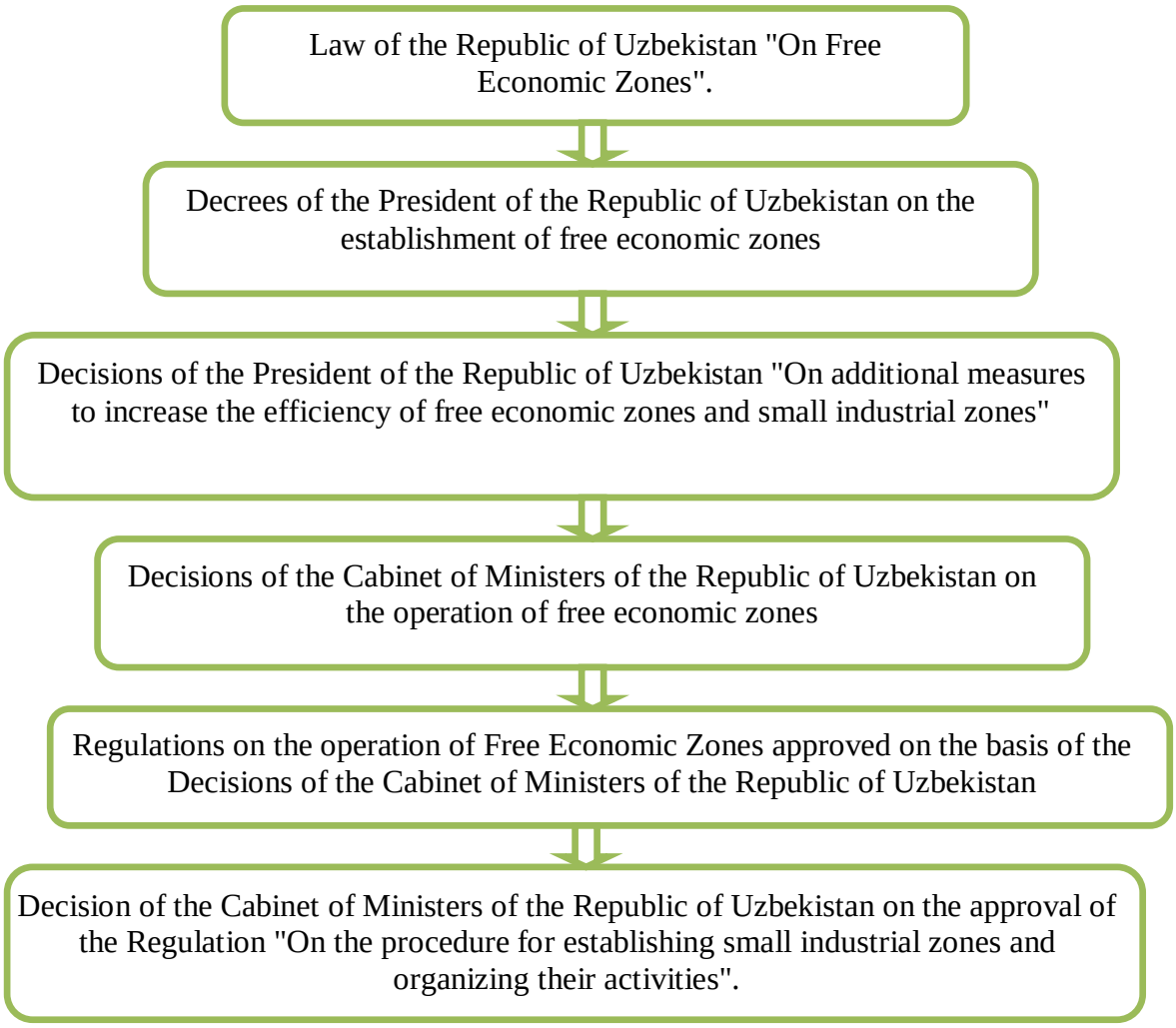

Fig 1. Organization of free economic and small industrial zones and hierarchical view of normative documents related to their activity.[1].

[1] Compiled by the author.

Accounting is one of the elements of the infrastructure of the modern economy, and it is a system of forming and presenting information and reports on the financial status and financial results of the enterprise for external users in various sectors of the economy. Accounting and reporting based on international standards are changing along with important requirements for modernizing the economy and using modern production techniques and technologies.

Foreign direct investment is an open and effective integral part of the international economic system and the main factor of development (OECD, 2002) [12]. Considering that foreign direct investment is the key to economic growth, many developing economies are competing to attract as much investment as possible. In order to attract foreign investors, some countries offer special benefits in taxes, duties and administrative management, while other countries establish free economic zones.

Free economic zones serve as a basis for long-term economic growth, structural changes, and support for the production of export goods by attracting foreign investments. Free economic zones are an important factor of economic growth, guaranteeing adaptation of production to international standards, integration and technological modernization. Attracting foreign direct investment by establishing free economic zones allows combining traditional practice with advanced international experience. Modern management methods, new production facilities, and the transfer of modern technology stimulate business activity, domestic market saturation, and production for export.

Attracting foreign direct investment has a positive effect, on the one hand, it encourages reforms and changes in certain areas. On the other hand, differences in business structures, legal system and legal principles, taxation and financial management require modification and improvement. The presence of different aspects of the management and control environments can sometimes lead to conflicts between the investor and the state. For this reason, existing differences are very important for implementing reforms on the ground and creating a favorable investment environment.

In international practice, accounting system reforms are seen as large-scale systemic changes aimed at investors. Differences between the principles of accounting and reporting lead to the preparation of double reports in financial processes, or lead to parallel accounting in different accounting systems at the same time. As the size and geographic scope of foreign direct investment expands, so do the number of investor disputes. In particular, disputes related to tax avoidance and evasion problems remain a major issue in free economic zones due to different accounting, reporting and auditing processes.

Leading specialists and experts of international organizations are recommending the introduction of full international accounting standards, the elimination of systemic obstacles in accounting and reporting to prevent conflicts with investors, and the creation of a common accounting and auditing policy for foreign and domestic investors.

A free economic zone is a geographical area where economic laws are more liberal (ICAI, 2010). The creation of free economic zones has become an integral part of national investment policy and can cover national economic interests more broadly. In the establishment of free economic zones, there is a need for transparent management for the interests of investors and the government. Concentration of foreign investment in a certain geographical area facilitates modernization and economic transition at the regional level. Advances in technology, employment opportunities, improved governance, and increased productivity will have far-reaching socio-economic impacts. However, such useful aspects of foreign investment in the free economic zone require their standardization at the international level in attracting, distributing and optimally using foreign investment. The application of internationally recognized management and control practices is necessary for the benefit of both parties. Therefore, many countries are an important factor in changing their investment policy and business environment, implementing reforms based on the interests of investors and long-term development strategies.

In the developing countries, the economic situation during the transition period has taken another step forward with free economic zones responding to international practice, and as a result, the number of tax problems related to foreign investors has been reduced. However, the reduction of investor-state conflicts is not only due to the international standards of accounting and auditing, but also to the improvement of the quality of financial reports, which helps to assess the effectiveness of investment projects of foreign investors, supports the development of business sectors, and allows the introduction of local funds and integration.

Conclusions and suggestions.

When analyzing the profit of an enterprise located in a free economic and small industrial zone, studying its composition is the initial stage of this process, since the effectiveness of the analysis process depends on its correct determination. Among the factors affecting financial results, the most important is the cost of manufactured goods. Reducing product costs is the main source of opportunities to increase the amount of the final result of activity. However, in practice, some agricultural enterprises pay less tax than profit by artificially increasing the cost of products in various ways, by understating the amount of profit in documents. Artificially raising the price of the product causes the price of the product to increase in the market, and as a result, it leads to a decrease in the demand for this product. Buyers are also looking for cheaper products based on their abilities today. As a result of the decrease

in the demand for the product, the process of selling the product slows down and the amount of income decreases. At the same time, the artificial increase in the cost of products creates serious problems in the circulation of financial funds, and as a result, enterprises are at risk of becoming insolvent and unable to compete.

Based on the above, it can be concluded that in the conditions of current rapid economic processes and their globalization, it is required to conduct an analysis of the efficient use of funds, production processes and financial activity processes in enterprises. For this purpose, it is necessary to support the activities of enterprises, provide them with benefits, make investments in enterprises and improve accounting and analysis, which is the main source of information in managing and regulating the activities of enterprises.

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