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Improving the Organization of Accounting In Insurance Companies

Temirov Furqat Tursoatovich
Tashkent State University of Economics, associate professor of the "Accounting" department
e-mail: furqattemurok@mail.ru
ORCID 0000-0002-6242-2781

Abstract: This article is devoted to the consideration of the peculiarities of organization of accounting and maintaining a chart of accounts in insurance companies operating within the territory of the Republic of Uzbekistan. In addition, the author presents relevant research proposals and recommendations.

Key word: insurance companies, accounting, financial reporting, chart of accounts, NAS (national accounting standards), diversification.

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INTRODUCTION

The rapid globalization process in the world requires working out of long-term strategic development concepts and the economic policy that is highly flexible to any changes. The share of insurance services in the GDP accounts for 11 percent in South Korea, 6 percent in Germany, and 1.5 percent in Russia. Currently under conditions of the digital economy development in the world, it is required to adapt the various financial operations, process management, cost accounting, formation of financial results and compilation of financial reporting in compliance with the requirements of international financial reporting standards (IFRS). Making necessary and urgent decisions regarding the development of the insurance services market largely depends on ensuring the reliability and transparency of financial information. It should be noted that currently that there are various levels of insurance services in the countries of the world, and their calculation and analysis are implemented in reliance upon different methodological approaches.

Today many researches aimed at revealing the conceptual foundations of the organization of accounting and financial analysis of insurance companies and improving their methodological foundations are being done throughout the world. As a result of these studies, the impact of accounting on business accuracy and financial sustainability in insurance companies, the impact of the IFRS adoption on accounting information, the methodological aspects of rating indicators and standards in the assessment of insurers' performance by rating agencies have been improved. It should be noted that such issues as raising the solvency and financial sustainability of insurance companies, optimizing the solvency norms of insurers, elaborating the accounting policy of insurance companies because of implementing the International Financial Reporting Standards, applying and improving the advanced methods of recognition of expenses and income, compiling financial statements and their consolidation in compliance with accordance with the IFRS requirements, have not been solved yet at the adequate level.

Literature review

As a result of the development of insurance relations in Uzbekistan and settlement of the insurance infrastructure, the opportunity for setting up new entities is being created.

When we analyze the development trend of the world insurance market in 2022, it is obvious that the highest development indicators are witnessed in the USA, South Korea, England, Japan and Germany.

From the point of view of the scholar-economist Z.E.Beknazarov, "The main indicator for the insurance market development in the world is the share of insurance income in the Gross Domestic Product. In the Republic of Uzbekistan the insurance income constitutes only 0.4 percent of GDP. Insurance premiums per capita amount to 28000 UZS, which is a very low figure. The fact that the rights of all parties in insurance relations are not the same, the lack of precise norms and conditions for insurance payments in insurance contracts hinders the increase of trust in insurance by legal entities and individuals" [1].

Table 1

Development of countries in the global insurance market in 2022 [2]

Countries	Insurance services in relation to GDP %	Absolute value of insurance services in GDP, in billions of USD	The amount of insurance premiums per capita, USD
USA	12%	21006,7	7673
South Korea	11,6%	1668,1	3741
England	11,1%	2712,2	4523
Japan	8,1 %	5103,7	3280
Germany	6,8%	3792,9	3108
Israel	4,9 %	399,9	2242
China	4,5 %	14723,6	455
Russia	1,4%	1538,7	146
Turkey	1,5 %	716,8	128
Kazakhstan	0,7 %	170,5	67
Uzbekistan	0,4	0,21	6,3

On the one hand, insurance activity in a developed market economy is considered a factor of ensuring stability, on the other hand, it creates an opportunity to protect individuals and legal entities from natural and artificial events that are expected according to the probability. Property protection is guaranteed in reliance upon of mutual agreements between the insurers and the insured. The preliminary documents of the accounting of the insurance premiums are supposed to be collected in accordance with these concluded contracts and the activity allowed according to the current legislation should be understandable and convenient for all recipients of information.

Accounting in insurance companies is organized with the account of its specific peculiarities and like the other all areas, is based on the following uniform principles: objectively accurate information, continuous documentation, double-entry, interdependence of data forms, and reliance upon the system of accounts.

In the opinion of the scholars Karimov A.A., Kuziev I.N., and Rahimov M.Yu.[3], "...the accuracy and transparency of information is far behind the criteria admitted by the world, the priority is placed mainly with the aspects of taxes, payments and solving social problem situations in the current procedures, compliance with official and published sources only according to procedures established by the public authorities, the fact, that investors and lenders, who are the most important participants in the financing of enterprises and entities, are second in line, have caused stagnation and failures in development". This fact definitely requires the reforms in the accounting area.

Economists Hamdamov B.K., Ibragimov K.Sh. stated that "the objectives of the reform of accounting and reporting of the Republic of Uzbekistan have to include the following aspects:

- creating conditions for introducing the system for effective regulation of the processes taking place in the national economy;
- approximation of the accounting system, as well as national accounting standards, to International Financial Reporting Standards (IFRS);

- timely identification of retrospective trends of economic development based on the system of collecting, processing and transmitting information, predicting and evaluating the consequences of management decisions" [4]. These considerations prove the necessity of urgent reforms in the insurance field.

The fact that both domestic and foreign economists-scholars in their researches haven't found any adequate solution many to numerous issues related to the system of accounts in insurance companies (accounting, determining the chart of accounts, creating the nomenclature of the system of accounts, etc.) cause additional technical, didactic, and practical obstacles. In previously published research papers some authors consider accounting as the method of current reflection of economic operations and obtaining general indicators of economic activity, other authors as a form and method of monitoring the plan progress, and still the others have described the method of economic classification, generalization and systematization of economic means, processes and operations according to the same sign.

In our opinion, accounts show classification signs for quantitative transformation and qualitative description of their content by transforming information abstract-logical models and accounting objects into business operations.

Accounts can be presented in the form of a scheme for didactic purposes.

Therefore, the study of accounts in educational institutions begins with the "T-model" of the account. It contains three elements of the model account in the form of a simple scheme: 1) the name of the account; 2) left side - debit; 3) right side - credit. However, presenting the account in the form of a scheme for didactic purposes does not mean that the account represents a two-way table, as some authors claim.

In countries of the continental school (Germany, France, etc.), the nomenclature of book-keeping accounts is created in a similar way. Making amendments to the concept "Chart of Accounts" is a highly controversial issue. This issue has been discussed in the research papers by N.G. Belov, V.F. Palia, Y.V. Sokolov and other authors, who have emphasized that it is necessary to replace the concept "Chart of Accounts" with the name "Nomenclature of Accounts" [5].

Research methodology

Research proposals and recommendations on improving the organization of accounting in insurance companies have been developed in this article. Scientific abstraction, expert assessment, induction and deduction, comparison, systematic analysis methods have been widely used in the analysis process.

Analysis and results

Under current conditions, it is necessary to take into account all the features of the accounting economy of various sectors of the economy, including the industry-based features of insurance companies. In the Republic of Uzbekistan particular attention is always paid to the improvement of accounting.

The Chart of Accounts is the basic statutory act for accounting in insurance companies. In Uzbekistan, the Chart of Accounts has been redeveloped and changed several times depending on economic changes and development of the enterprise management system. In particular, the current system of accounts was adopted in 2002. Then it was reconsidered and amended in reliance upon the modern requirements.

Taking into consideration that this Chart of Accounts is determined as a general model for economic entities operating in the country, there is a need to develop working accounts based on the specific characteristics of the industry-based enterprises.

The core measures to achieve the stated goals of accounting and financial reporting reform are aimed at solving the following problems:

- revision of the general methodical and technical basis of accounting and financial reporting and aligning it with those generally accepted in world practice;

- working out the national accounting standards (NAS) system and financial reporting, providing users with useful information of a financial nature;

- ensuring that the reform of accounting and financial reporting is connected with the main trends of adjusting in compliance with the international standards;

- providing methodical assistance to economic entities in understanding and implementing a modernized model of accounting and financial reporting that is close to the IFRS requirements;

- high-quality professional development and retraining of personnel in the field of accounting on the basis of a curriculum developed with the account of the Ministry of Finance requirements.

In our opinion, the main objectives of accounting in an insurance companies are the following:

- formation of information about the economic activity and results necessary for the board of trustees of the insurance company, as well as investors, customers, tax authorities, banks and other parties concerned;

- forming funds, property and insurance reserves within the framework of the established norms and ensuring control over the fulfillment of requirements for their use;

- maintenance of technical and other reserves and timely detection and elimination of negative situations in financial economic activities;

- taking into account the nature of insurance companies, creating a model of accounting and financial reporting according to the IFRS requirements.

Currently there are a number of problems in the actual accounting procedures in insurance companies and the truthful reflection of their activities based on international standards, determining and evaluating the potential value of the insurance business, as well as making management decisions. Regarding this issue, our scholars A.A. Karimov, I.N. Kuziev, M.Yu Rahimov have emphasized that the current accounting does not meet the IFRS requirements. "....First, the current procedures for determining the real results of the activities of business entities, recognizing, evaluating and disclosing their achievements do not correspond to the interests of the real owners of economic resources. As a result, business entities have to use only limited flows for attracting resources.

Second, the accurately measured values of income and expenses of business entities do not correspond to the interests of potential stakeholders, and in this case, they are aimed at ensuring the accuracy, liquidity and quality of profits.

Third, the setting of inappropriate, redundant, strict requirements for the compilation and presentation of financial statements, as well as establishing strict procedures for the preparation of specific management decisions within the scope of the business entities' properties, does not allow the book-keepers to prepare conclusions based on free experience and present them to the parties concerned. As a result, it becomes possible to reveal the real situation of business entities not in the way they want, but in the way the owners of the used resources really need.

At last, no matter how much the national accounting standards are adjusted in compliance with the IFRS, if the flow of information is not disclosed in the context of common goals, it does not allow to accurately reflect the real financial situation of business entities, their results and their changes".

Currently, even in the insurance company, in order to fulfill the objectives specified above, the accounting procedure must be carefully developed. It is known that the organization of insurance activities has fundamentally different characteristics from production, trade and other industries. For example, in production entities, a product is created by means of spending first, and after it is sold, profit is made. On the contrary, insurance companies first generate income, i.e. they collect insurance premiums, and then, in case of an insurance event, an expense is incurred, which results in paying insurance remuneration, or the received insurance premiums are reported in the reporting year being considered part of the obligation during the year and recognized as income after the end of the year, etc. Specific aspects of insurance companies are also reflected in Article 23 "Peculiarities of Insurers' Accounting" of the Law of the Republic of Uzbekistan "On Insurance Activities": "Insurers, insurance brokers and reinsurance brokers keep accounting in accordance with the law, taking into consideration the specific characteristics determined by a specially authorized public authorities"[6]. These features definitely require development of a specific procedure for accounting in the insurance sector.

The technique for arranging accounting in insurance companies depends on the characteristics of its services, as it is known that any insurance company provides its insurance services for a certain fee. According to the Civil Code of the Republic of Uzbekistan, the insurance contract comes into force after the payment of the insurance premium or the first payment if it is paid as a premium, if there is no other procedure is envisaged.

The economic essence of insurance premiums is that they incorporate part of the national income, guarantee the interests of the insured, and are paid when insurance events occur. In terms of statutory acts, insurance premiums are the monetary expression of the obligations accepted on the basis of the conditions specified in the contract.

Table 2

Types of premiums in insurance companies [7]

№	Classification feature	Types of insurance premiums
1.	On the appointment of insurance premiums	a) Premiums intended to cover risks b) Premiums intended for accumulation
2.	Premiums by nature of insurance premiums:	a) Natural premium b) Continuous premium
3.	According to the payment form of insurance premiums	a) One-time paid premium b) Current premium payable c) Annual premium d) Overdue premium

The tariff policy of an insurance company is a systematic work process implemented by the insurance company to determine and regulate the insurance tariff in order to achieve effective performance of the insurance company.

The tariff rate of the insurance company is the price (cost) of the risk and other costs equal to money, which embodies the responsibility of the insurer within the framework of the concluded insurance contract. When determining tariff rates or insurance premiums, it is necessary to observe the following principles:

1. Self-recovery and profitability of insurance operations;
2. Equivalence of insurance relations;
3. The ability to pay the insurance tariff for everyone (popularity);
4. Stability (stagnation) of insurance tariffs;
5. Expanding the scope of insurance liability of the insurer;

Accounting policy in insurance companies is a document developed and approved by management, directorates, district and city divisions, procedures for accounting and drawing up financial reports, alternative options for drawing up internal reports. It includes assessment of financial transactions, revaluation and write-off of assets, the use of accounts and reflection of mutual economic relations with district and city divisions, directorates, and corporate governance entities in accounting records.

The main basis of the new approach to the organization of accounting in insurance companies is to develop an accounting policy in reliance upon the characteristics of insurance companies within the limits of general rules established by the government.

Conclusion

Accounting for insurance services can be implemented according to a simple scheme. The basis of such accounting is the keeping of income and expense accounting books according to the “income-expense” principle. Formation and development of types of providing services in insurance companies will definitely cause an increase in the number of accounting (service) objects and accounting information in general.

In this regard, there is a need to systematize economic operations in detail. Therefore, we believe that it is appropriate to organize automated accounting in insurance companies in separate accounts of the current system of the chart of accounts in the current book-keeping.

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