# Ministry of Education Republic of Azerbaijan

**The role of the application of the International Financial Reporting Standards for the perfection of accounting of liabilities**

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In the end, I feel like to illustrate my thankfulness to the family for being with me in education as well as in other matters.

## Abstract

Liabilities is the important part of the accounting. Therefore calculation and presentation of liabilities must be correct and clear. Each country has National standards, but when countries trade with other countries, National standards is not appropriate. For that accepting IFRS is needed for every country. In my dissertation, I talked about İnternational Financial Reporting Standart's advantages. Also i talked about application of İFRS in our country.

In particular, small and micro companies face more problems about İFRS. I talked about that and their solutions.



**Key words:** long-term, short term, loans, tax, interest rate, payables, accrued wage…

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## Introduction

Globalization has developed due to propel in transportation and communication innovation. With the expanded worldwide intuitive comes the development of worldwide exchange, thoughts, and culture. Globalization is basically a financial prepare of interaction and integration that's related with social and social viewpoints. Therefore international standards and guidelines are needed for the implementation of interstate relations.

The expressed objective of the IFRS Establishment and the International Accounting Standards Board (IASB) is to create, within the open intrigued, a single set of high-quality, reasonable, enforceable and universally acknowledged budgetary announcing guidelines based upon clearly verbalized principles. There were once scores of special sets of monetary detailing measures among the more created countries ("national GAAP"). The year 2005 stamped the starting of a unused time in worldwide conduct of commerce, and the fulfillment of a thirty-year exertion to form the budgetary announcing rules for an around the world capital showcase. For amid that year's money related detailing cycle, the 27 European Union (EU) part states, also numerous others in nations such as Australia, Modern Zealand, Russia, and South Africa embraced Financial Reporting Standards (IFRS).

Liabilities, such as other accounting elements, also play a major role in elaborating reports. Therefore, it is necessary to prepare a record of liabilities under İFRS when preparing the report at the international level.

Enterprise’s liability take place with contracts concluded between organizations that act as debtors and between other individual and juridical persons acting as creditors. On the basis of certain contracts, the debtors undertake to perform certain activities in favor of the creditors. Debts to legal entities and individuals can also be determined by court decisions. Liabilities that are measured in monetary equivalents are considered to be an integral part of the entity's passives. The creditor has the right to demand that the debtor fulfill its obligations.

I also talk about İFRS 37 in my dissertation. İFRS 37 plays a major role in regulating the accounting of these liabilities. IAS 37 Provisions, Contingent Liabilities and Contingent Assets traces the bookkeeping for arrangements (liabilities of questionable timing or sum), along with unexpected resources (conceivable resources) and unexpected liabilities (conceivable commitments and show commitments that are not probable or not dependably quantifiable). Arrangements are measured at the most excellent assess (counting dangers and instabilities) of the consumption required to settle the display commitment, and reflects the show esteem of consumptions required to settle the commitment where the time esteem of cash is fabric.

The most important issue in my dissertation is expert opinion part. I've collected different and valuable ideas from different businesses, different accountants, and shared in my dissertation with you.

Research objectives of my diploma paper is to introduce the standards in our country and the world and to inform readers of the problems in this process.

Research methods in my diploma paper are internet searching, books and survey. İf we want to increase and strengthen our theoretical knowledge about inventories' accounting, there are many books and internet sources available for this. However, if you want to learn how to use these real-life situations books may not be a good choice. For this, in my dissertation I used the survey method to explore the current situation.

## Chapter 1: THEORETİCAL BASİS OF İFRS AND ACCOUNTİNG OF THE LİABİLİTİES ON CREDİTS AND OTHER DEBTS

### 1.1. The nature, types and characteristics of accounting of liabilities.

Liabilities are the aggregate of debt and creditor’s payables. The source of the enterprise's property may be the following sources of creditors:

1) Credits;
2) Debts;
3) Loan debts etc.

Enterprise’s liability take place with contracts concluded between organizations that act as debtors and between other individual and juridical persons acting as creditors. On the basis of certain contracts, the debtors undertake to perform certain activities in favor of the creditors. Debts to legal entities and individuals can also be determined by court decisions. Liabilities that are measured in monetary equivalents are considered to be an integral part of the entity's passives. The creditor has the right to demand that the debtor fulfill its obligations.

The liabilities of the organization take place on different bases. Different individual and juridical persons who lend a credit or loan to a business are considered as lenders of the enterprise. Borrowing liabilities are called borrowing during the performance of the credit agreement. The lenders of the institution are state and extra-budgetary funds. The entity has a tax liability against those creditors. Employees of the enterprise who engage in collective individual labor contracts with the enterprise, such as creditors of the enterprise. Under the contract, the entity has a liability to pay for its employees. Such liabilities are typical for each reporting period and are payable on a regular basis. These commitments are part of the entity's payables.

Liabilities can also occur as a result of contracts for the supply of goods, works and services (for example, advance payments from customers and buyers, commercial loans, etc.).

Obligations of the enterprise for the received avans and repayment of commercial credits are also included in the payables. Accordingly, the liabilities are divided into debt and loan payables, depending on the origin of the asset. Accordingly, the liabilities are divided into debt and creditor payables, depending on the origin of the liabilities.

First of the most important tasks facing accounting of liabilities is to monitor the timely execution of settlements with creditors in order to prevent the repayment time of the debt. Due to this reason, the liabilities are divided into short-term and long-term liabilities, depending on the maturity.

Short-term liabilities (passives) cover a period of up to one year on a contractual basis (from the moment the liability is accepted for accounting). Short-term liabilities are sometimes called current liabilities.

Long-term liabilities (passives) are those that are debts and credits for more than one year on a contractual basis (from the moment of commitment).

Division of enterprise liabilities into short and long term liabilities is also crucial for financial analysis. At the same time, the nature and origin of the liabilities does not depend on the urgency of their payment. Therefore short-term and long-term liabilities (passives) do not require separate investigation.

Generally, it is characterized by the division of business liabilities in debt and debt payables in recent years' economic literature. This classification discloses the nature of the economic nature of the various types of liabilities and is consistent with the structure of the existing accounting balance.

Borrowings are liabilities that are incurred when a debt contract is executed. On the basis of a debt contract, one party (lender) gives the other party (borrower) money or other items of value and quality. The borrower is obliged to repay the debt after a certain period of time. The debt contract is considered to be closed at the time of money or other items. If the legislation does not stipulate anything else, then the lender has the right to receive a certain interest due to its debt. Interest should be payable every month. Borrowings combine obligations under the following:

- on received bank loans;
- on debt securities sold (bonds and etc.);
- on financial bills;
- on debts and loans received

If a business plans to implement a specific project, the borrowing fund can be withdrawn. A type of debt is called bank loan.

Bank loans are issued by banks (credit institutions) in the form of repayment, urgency, repayment and collateral. Depending on the return period:

- short-term loans not exceeding one year;

- Medium and long-term loans over one year.

Short-term loans are the source of material turnover of the enterprise. The conversion of turnover assets to monetary assets is the source of short-term loans. The repayment period of these loans is determined by the maturity of the funds in the lending process. Long-term loans are the source of funds for investment and serve to cover capital expenditure costs. The return of long-term loans is considered to be the profit from the use of lending facilities.

The entity prepares the feasibility study of the project, while making a decision to attract borrowed funds. Depending on the needs of the project, the available financial resources and the current financial position, the entity will determine the amount of the debt, the urgency (at the expected maturity of the funds), the actual amount of the debt and the security of the debt. In order to obtain a bank loan, the entity must apply for a loan in a certain form. The loan application is accompanied by the following documents defining the feasibility study and the borrower:

- notarized copy of the establishment documents;

- accounting (financial) reports of the last three years;

- internal financial statements and internal operational records; The Bank examines the loan application according to its credit policy, analyzes the credibility of the enterprise and then issues a loan agreement.

The loan agreement made with the Bank's regulations regulates the lending procedure of the entity. In accordance with the loan agreement, the bank is committed to providing money (credit) in the amount and time required for the business. The loan agreement will include:

- lending and duration of the loan;

- credit terms and conditions;

- payment rules;

- interest rates and payment order;

- obligations, rights and responsibilities of the parties;

- List and distribution of reporting documents submitted by the entity to the bank.

- other accompanying documents.

The loans to be paid in enterprises are as follows:

1. Obligation to pay and pay to contractors for goods purchased, works performed and services provided;

2. Commercial loan repayment obligations;

3. Obligation to give money, to provide property, to do work, to provide services, to serve children and dependent businesses;

4. Giving goods to other legal and natural persons at the expense of advances received;

5. pay off the labor of the employees in accordance with the collective and individual employment contract;

6. Obligation to pay membership fees to social funds;

7. Obligation to pay taxes and other payments to the budget;

8. Debts to other lenders.

Creditors are expected to make payments in the near future according to the rules and are therefore included in short-term liabilities. Depending on the source of the relevant debts, the accounts payable are divided into the following types of accounts:

1. Debt to sellers and contractors;

2. Payables on commercial invoices;

3. Loans granted to subsidiaries and associates;

4. Receivables in advances received;

5. Payables to labor compensation personnel;

6. Payables to social funds;

7. Debts to the budget;

8. Credits to other creditors.

### 1.2. Role of İFRS in at accounting

Accounting plays an critical part within the financial issues of a nation such as the calculation of national and individual pay, the organization of tax assessment and credit offices, the costing of government consumptions, and the examination of ventures and budgetary announcing of organizations to the markets. The quality of bookkeeping data is crucial to the functioning of a company, and thus to productive asset allotment. Exact data almost the money related execution of the endeavor is fundamental for arranging and control purposes, and it is significant to each financial choice. Consequently, the bookkeeping rules must be legitimately outlined in arrange to not permit the twisting of budgetary actualities, which would at that point lead to the misallocation of assets in non-productive employments. These days, the world economies are progressively interlinked. As a result, as McKee and Gather (1992) contend, the bookkeeping administrations will have to be adjust in arrange to meet the extending needs of the trade community. In this manner, the universal community has been working toward setting up universal bookkeeping guidelines that would help in compiling sound, justifiable and comparable budgetary articulations of over borders. The endeavors for universal bookkeeping benchmarks setting begun in 1973 when the Worldwide Bookkeeping Measures Committee (IASC) was set up in London, and they finished in 2005 when the European Commission (EC) started requiring all European Union (EU) recorded companies to get ready their solidified monetary articulations concurring to worldwide bookkeeping guidelines. Numerous creating nations are attempting to embrace IAS/IFRS (hereinafter, alluded to as IFRS) issued by IASB and its forerunner IASC that will offer assistance companies to get ready valuable bookkeeping data for residential and outside speculators. In any case, the appropriation of these bookkeeping guidelines faces numerous challenges related to these countries' conventions and characteristics of financial advancement. Bookkeeping framework in creating nations ought to be considered as portion of the essential foundation to realize financial advancement.

Applying national bookkeeping benchmarks implied sums detailed in monetary explanations may be calculated on a diverse premise. Unpicking this complexity included examining the particulars of national bookkeeping guidelines, since indeed a little distinction in necessities might have a major affect on a company’s detailed money related execution and budgetary position—for case, a company may perceive benefits beneath one set of national bookkeeping benchmarks and misfortunes beneath another.

IFRS Benchmarks address this challenge by giving a tall quality, globally perceived set of bookkeeping guidelines that bring straightforwardness, responsibility and proficiency to monetary markets around the world.

IFRS Guidelines bring straightforwardness by improving the worldwide comparability and quality of money related data, empowering financial specialists and other advertise members to create educated financial decisions.

IFRS Benchmarks reinforce responsibility by lessening the data crevice between the suppliers of capital and the individuals to whom they have depended their cash. Our Guidelines give data that's required to hold administration to account. As a source of all inclusive comparable data, IFRS Measures are too of crucial significance to controllers around the world.

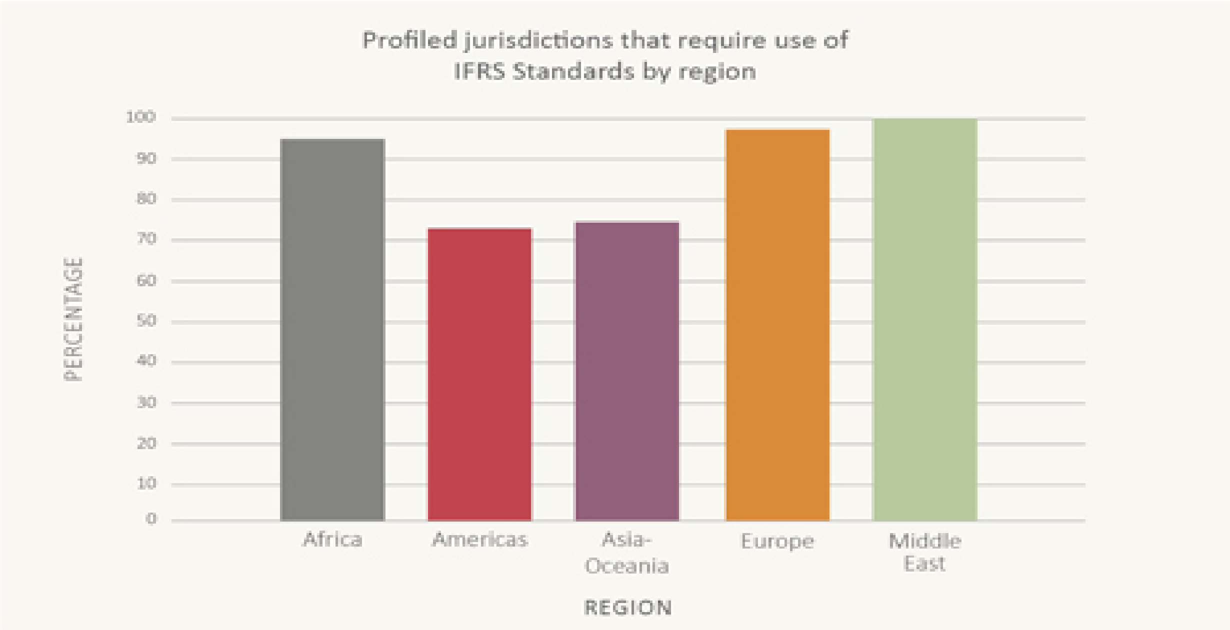
And IFRS Guidelines contribute to financial proficiency by making a difference financial specialists to recognize openings and dangers over the world, in this way making strides capital assignment. For businesses, the utilize of a single, trusted bookkeeping dialect brings down the taken a toll of capital and diminishes worldwide detailing costs.

Changing to IFRS Measures does not come without fetched and exertion. The companies announcing will for the most part ought to alter at slightest a few of their systems and practices; financial specialists and others utilizing budgetary articulations have to be dissect how the data they are accepting has changed; and securities controllers and bookkeeping experts got to alter their procedures. But scholarly inquire about and considers by embracing purviews gives overpowering prove that the appropriation of IFRS Benchmarks has brought net benefits to capital markets.

The archived benefits incorporate a lower fetched of capital for a few companies and expanded venture in purviews embracing IFRS Measures. A few companies too report benefits from being able to utilize IFRS Benchmarks in their inner detailing, progressing their capacity to compare working units in several purviews, diminishing the number of distinctive detailing frameworks and having the adaptability to move staff with IFRS involvement around their association.

IOSCO (International Organization of Securities Commissions) perceived the benefits of worldwide Measures when, within the year 2000, it suggested to its individuals that they permit IFRS Guidelines to be utilized on their trades for cross-border offerings.

Since that point, IFRS Guidelines have gone on to gotten to be the de facto worldwide dialect of budgetary detailing, utilized broadly over created, rising and creating economies. Our inquire about appears that 144 wards presently require the utilize of IFRS Guidelines for all or most freely recorded companies, while a assist 12 purviews allow its utilize.




Our country also tries to adapt to international standards and has taken some steps in this direction. Accounting and reporting in Azerbaijan are restructured and developed in accordance with international standards and standards in this field. Thus, the public-important entities of the country are currently conducting their accounting and reporting on International Financial Reporting Standards (IFRS). For all other commercial organizations, National Accounting Standards (NAS) have been prepared and approved by the Ministry of Finance. The MMUSs themselves have been developed on the basis of IFRS. However, it is not a secret that it is difficult to apply the theoretical-methodological principles and rules of IFRS to practitioners in the field of accounting and reporting of our country. For this reason, certain tutorials are prepared for the accountants, trainings are organized, and the law comes into force. In line with the implementation of the Law of the Azerbaijan Republic "On Accounting", National Accounting Standards (NASCO), based on International Financial Reporting Standards (IFRS), have been prepared. In accordance with that Law (paragraphs 10 and 17), the National Accounting Standards must be applied when preparing financial statements for all periods beginning on or after January 1, 2008.

According to the decision of June 1, 2018, the transition to international standards has also taken place in our country. Following this decision, large-scale application of IFRS standards in our country was initiated. Below you can see extracts from the law on the application of IFRS standards.

- International Financial Reporting Standards are the International Financial Reporting Standards, International Financial Reporting Standards and other international standards issued by the International Accounting Standards Board.
- The International Public Sector Accounting Standards are the international standards for public sector adopted by an international specialized agency.
- International Financial Reporting Standards for Small and Medium Entrepreneurship Areas are international standards for small and medium-sized businesses adopted by an international specialized agency.
- The main purpose of state regulation in the field of accounting in the Republic of Azerbaijan is to provide financial reporting and accounting in the country on the basis of International Financial Reporting Standards, International Financial Reporting Standards for Small and Medium Entrepreneurship, International Public Sector Accounting Standards and Accounting Standards.
- International Financial Reporting Standards, International Financial Reporting Standards for Small and Medium Entrepreneurship, Public Sector Accounting Standards for Azerbaijani and provides translation of these standards as official texts in Azerbaijani;

- Cooperates with international organizations specialized in the International Financial Reporting Standards, International Financial Reporting Standards and Public Sector Accounting Standards for Small and Medium Entrepreneurship Subjects and timely reflecting these changes in their official texts in the Azerbaijani language;

### 1.3. Liability accounting according to İFRS

A obligation may be a lawfully authoritative commitment payable to another substance. Liabilities are a component of the bookkeeping condition, where liabilities additionally value breaks even with the resources showing up on an organization's adjust sheet. Examples of liabilities are:

- Accounts payable
- Accrued liabilities
- Accrued wages
- Deferred revenue
- Interest payable
- Sales charges payable

Accounts payable is the total sum of one's short-term commitments to pay providers for items and administrations that were obtained on credit. In case accounts payable are not paid inside the installment terms concurred to with the provider, the payables are considered to be in default, which may trigger a punishment or intrigued installment, or the disavowal or reduction of extra credit from the provider. The term can too allude to the office that forms payables.

When person accounts payable are recorded, this may be exhausted a payables subledger, subsequently keeping a expansive number of person exchanges from cluttering up the common record. Then again, in case there are few payables, they may be recorded straightforwardly within the common record. Accounts payable shows up inside the current risk area of an entity's adjust sheet.

Accounts payable are considered a source of cash, since they speak to stores being borrowed from providers. When accounts payable are paid, typically a utilize of cash. Given these cash stream contemplations, providers have a common slant to thrust for shorter installment terms, whereas leasers need to stretch the installment terms.

From a administration point of view, it is of a few significance to have precise accounts payable records, so that providers are paid on time and liabilities are recorded in full and inside the right time periods. Something else, providers will be less slanted to allow credit, and the budgetary comes about of a trade may be off base.

Other sorts of payables that are not considered accounts payable are compensation payable and notes payable.

The invert of accounts payable is accounts receivable, which are short-term commitments payable to a company by its customers.

An gathered obligation is an commitment that an substance has expected, as a rule within the nonappearance of a affirming archive, such as a provider receipt. The foremost common utilization of the concept is when a trade has expended products or administrations given by a provider, but has not however gotten an receipt from the provider. When the receipt has not arrived by the conclusion of an bookkeeping period, the bookkeeping staff records an gathered obligation; this amount is as a rule based on amount information within the getting log and estimating data within the authorizing purchase order. The reason of an gathered risk section is to record an cost or commitment within the period when it was caused.

The diary section for an collected obligation is ordinarily a charge to an cost account and a credit to an collected liabilities account. At the starting of the another bookkeeping period, the section is switched. In the event that the related provider receipt is gotten within the another bookkeeping period, the invoice is entered within the bookkeeping framework. The impact of these exchanges is:

1. In the primary period, the cost is recorded with a diary entry.

2. In the moment period, the diary section is switched and the provider receipt is entered, for a net zero section within the moment period.

Hence, the net impact of these exchanges is that cost acknowledgment is moved forward in time.

Most gathered liabilities are made as switching gatherings, so that the bookkeeping computer program consequently cancels them within the following period. This happens after you are anticipating provider solicitations to reach within another period.

An collected obligation shows up within the balance sheet, ordinarily within the current liabilities segment, until it has been turned around and thus disposed of from the adjust sheet.

Cases of collected liabilities are:

- Accrued intrigued cost. A company features a advance extraordinary, for which it owes intrigued that has not however been charged by its bank at the conclusion of an bookkeeping period.

- Accrued finance charges. A commerce causes a risk to pay a few sorts of finance charges when it pays recompense to its employees.

- Accrued benefits risk. A company causes a liability to pay its workers at a few point within the future for benefits earned beneath a annuity plan.
- Accrued administrations. A provider gives administrations to a company, but has not charged the company by the conclusion of an bookkeeping period, since it takes time to compile billings from the time sheets of its employees.
- Accrued compensation. A company owes compensation to its hourly employees at the conclusion of an bookkeeping period, for which it isn't planned to pay them until the following period.

Collected compensation alludes to the sum of obligation remaining at the conclusion of a detailing period for compensation that have been earned by hourly workers but not however paid to them. This risk is included within the current liabilities segment of the adjust sheet of a trade. Gathered compensation are recorded in order to recognize the complete wage cost that a commerce has brought about amid a detailing period, not fair the sum really paid.

For illustration, Mr. Smith is paid $20 per hour. He is paid through the 25th day of the month, and has worked an extra 32 hours amid the 26th through 30th days of the month. This unpaid sum is $640, which the boss ought to record as gathered compensation as of month-end. This gathering may be went with by an extra passage to gather for any related finance charges.

The collected compensation section could be a charge to the compensation cost account, and a credit to the gathered compensation account. The passage ought to be switched at the beginning of the taking after detailing period.

Deferred income could be a installment from a client for future products or administrations. The vender records this installment as a risk, since it has not however been earned. Conceded income is common among software and protections suppliers, who require up-front installments in trade for benefit periods that will final for numerous months.

Conceded Income Recognition As the beneficiary gains income over time, it diminishes adjust within the conceded income account (with a charge) and increases adjust within the income account (with a credit). Depending on the contract terms, the offering substance may not be permitted to recognize income until all goods have been conveyed and/or administrations completed; this will skew the detailed execution of a trade to appear early misfortunes, taken after by benefits in afterward periods.

The conceded income account is regularly classified as a current risk on the adjust sheet. It can be classified as a long-term risk in the event that execution isn't anticipated inside the following 12 months.

Deferred Income Accounting

For illustration, Alpha Enterprise enlists Northern Plowing to plow its stopping parcel, and pays $5,000 in development, so that Northern will deliver the company to begin with plowing need all through the winter months. At the time of installment, Northern has not however earned the income, so it records all $5,000 in a conceded income account, utilizing this conceded income diary entry:

| | Debit | Credit |
|---|---:|---:|
| Cash | 5,000 | |
| Deferred revenue (liability) | | 5,000 |

Northern anticipates to be plowing for Alpha for a period of five months, so it chooses to recognize $1,000 of the conceded income per month in each of the five months. For illustration, within the to begin with of the five months, Northern records the taking after section:

| | Debit | Credit |
|---|---|---|
| Deferred revenue (liability) | 1,000 | |
| Plowing revenue (revenue) | | 1,000 |

Intrigued payable is the sum of intrigued on its obligation and capital leases that a company owes to its moneylenders and rent suppliers as of the adjust sheet date. This sum can be a significant portion of a money related explanation examination, in case the sum of intrigued payable is more noteworthy than the ordinary sum - it demonstrates that a commerce is defaulting on its obligation commitments.

Intrigued payable can incorporate both charged and collected intrigued, in spite of the fact that (on the off chance that fabric) collected intrigued may show up in a partitioned "collected intrigued risk" account on the adjust sheet. Within the case of capital leases, a company may ought to gather the sum of intrigued payable, based on a deconstruction of the fundamental capital rent. Intrigued is considered to be payable independent of the status of the fundamental obligation as short-term obligation or long-term obligation. Short-term obligation is payable inside one year, and long-term obligation is payable in more than one year.

As an illustration of intrigued payable, a trade owes $1,000,000 to a moneylender at a 6% intrigued rate, and pays intrigued to the loan specialist each quarter. After one month, the company collects intrigued cost of $5,000, which may be a charge to the intrigued cost account and a credit to the intrigued payable account. After the moment month, the company records the same section, bringing the intrigued payable account adjust to $10,000. After the third month, the company once more records this section, bringing the whole adjust within the intrigued payable account to $15,000. It at that point pays the intrigued, which brings the adjust within the intrigued payable account to zero.

The intrigued that a company will cause within the future from its use of existing obligation isn't yet an expense, and so it isn't recorded within the intrigued payable account until the period in which the company incurs the cost. Up until that time, the long run risk may be famous within the revelations that go with the budgetary statements.

Interest payable may be a risk, and is more often than not found inside the current liabilities area of the adjust sheet.

The related intrigued cost that comprises intrigued payable is expressed on the wage articulation for the sum pertinent to the period whose comes about are being detailed. This intrigued cost is expressed after the working benefit, since intrigued cost is related to financing exercises, not operations.

The around of intrigued payable is intrigued receivable, which is the intrigued owed to the company by the substances to which it has loaned money. Sales charges payable could be a obligation account in which is put away the total sum of deals charges that a commerce has collected from clients on sake of a overseeing charge specialist. The commerce is the overseer of these reserves, and is obligated for transmitting them to the government on a convenient premise. In the event that the organization transmits huge sums of deals charges, the government likely requires deals charges payable to be transmitted once a month. In case the sum paid is very little, a few governments permit the reserves to be dispatched at much longer interims, such as once a quarter or once a year.

It is conceivable that the deals charges payable account can be subdivided into a number of accounts, with each one containing the deals charges appropriate to as it were a specific government substance. For illustration, one account could be utilized to store deals charges for a state government, whereas another account may be utilized for the province government, and however another account for the local city government. On the off chance that a company is required to gather deals charges on sake of numerous government purviews, this could cruel that a company may possibly store deals charges payable data in a expansive number of accounts.

The deals charges payable account is continuously considered to be a short-term obligation, since (as fair famous) the reserves are continuously to be transmitted inside one year. Ordinarily, the account is combined with adjust within the accounts payable account and displayed within the adjust sheet inside the accounts payable line thing.

A government substance may send its reviewers to a commerce at interims to look at the strategy of calculating deals charges, additionally to look at the substance of the deals charges payable account. On the off chance that the company has not been calculating or dispatching deals charges accurately, the evaluators can charge the company a punishment and other expenses.

When showing liabilities on the adjust sheet, they must be classified as either current liabilities or long-term liabilities. A risk is classified as a current risk in the event that it is anticipated to be settled inside one year. All other liabilities are classified as long-term. Accounts payable, gathered liabilities, and charges payable are more often than not classified as current liabilities. In the event that a parcel of a long-term obligation is payable inside the following year, that parcel is classified as a current risk. Most liabilities are classified as current liabilities.

A current risk is a commitment that's payable inside one year. The cluster of liabilities comprising current liabilities is closely observed, for a commerce must have adequate liquidity to guarantee that they can be paid off when due. All other liabilities are detailed as long-term liabilities, which are displayed in a grouping lower down within the adjust sheet, underneath current liabilities.

In those uncommon cases where the working cycle of a trade is longer than one year, a current obligation is characterized as being payable inside the term of the working cycle. The working cycle is the time period required for a trade to procure stock, offer it, and change over the deal into cash. In most cases, the one-year run the show will apply.

Since current liabilities are ordinarily paid by selling current resources, the nearness of a expansive sum of current liabilities calls consideration to the estimate and imminent liquidity of the offsetting sum of current resources recorded on a company's adjust sheet. Current liabilities may moreover be settled through their substitution with other liabilities, such as with short-term obligation.

Long-term liabilities are those commitments of a commerce that are not due for installment inside another twelve months. These commitments are as a rule a few shape of obligation; on the off chance that so, the terms of the obligation assertions are regularly included within the divulgences that go with the budgetary articulations. Conceded assess liabilities, conceded remuneration, and benefits commitments may too be included in this classification.

This data is utilized by speculators, banks, and banks when analyzing the long-term liquidity of a business.

There are moreover cases where there's a plausibility that a commerce may have a liability. This can be known as a unexpected obligation. You ought to record a unexpected obligation if it is likely that a misfortune will happen, and you'll sensibly appraise the sum of the misfortune. On the off chance that a unexpected risk is only possible, or in the event that the sum cannot be assessed, at that point it is (at most) as it were famous within the divulgences that go with the monetary articulations. Illustrations of unexpected liabilities are the result of a claim, a government examination, or the risk of confiscation. A guarantee can too be considered a unexpected liability.

A unexpected obligation is either a conceivable commitment emerging from past occasions and depending on future occasions not beneath an entity's control, or a display commitment not recognized since either the substance cannot degree the commitment or settlement isn't probable. You are doing not recognize a unexpected risk. Instep, as it were unveil the presence of the unexpected risk, unless the plausibility of installment is remote. There are three conceivable scenarios for unexpected liabilities, all of which include distinctive bookkeeping exchanges. They are:

- Recordation. Record a unexpected obligation when it is plausible that a misfortune will happen, and you'll sensibly gauge the amount of the misfortune. In case you'll only appraise a extend of conceivable amounts, then record that sum within the run that shows up to be distant better; a much better; a higher; a stronger; an improved">a distant better gauge than any other sum; in case no sum is better, then record the most reduced sum within the extend. “Probable” implies that the long run occasion is likely to happen. You ought to too portray the risk within the references that go with the budgetary statements.
- Disclosure. Uncover the presence of a unexpected liability within the notes going with the budgetary explanations in the event that the

obligation is sensibly conceivable but not likely, or in the event that the risk is plausible, but you cannot appraise the sum. “Reasonably possible” implies that the chance of the occasion happening is more than farther but less than likely.

- No treatment. Don't record or unveil an unexpected risk on the off chance that the likelihood of its event is remote.

Cases of unexpected liabilities are:

- The result of a lawsuit
- A government investigation
- The danger of expropriation

A guarantee can too be considered a unexpected liability. A guarantee may be a ensure related to the execution of non-financial resources that are claimed by the party being ensured. A ensure is habitually brought about in association with the deal of products or administrations to the party being ensured. In case the guarantee is related to a item, the party giving the ensure regularly replaces or repairs the item in address. In case the guarantee is related to a benefit, the party giving the ensure more often than not gives a full or fractional discount, or substitution services.

- A guarantee could be a unexpected obligation, so the party giving it ought to record a obligation and guarantee cost when it records the related deal of merchandise or administrations. As the offering party causes genuine guarantee costs, it charges them against the liability account, which subsequently decreases over time. If there's a history of negligible guarantee uses, there's no have to be record an unexpected obligation in progress of genuine guarantee expenses.

## Chapter 2. APPLİCATİON OF STANDARDS İN ACCOUNTİNG PROCESS AND EMPİRİCAL RESEARCH ABOUT THAT

### 2.1. Accounting for liabilities under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)

The revised version of the IFRS issued by the Management Board in 1998 was included in the IFRS 37 Contingent Liabilities and Contingent Asset Accounting Rules effective from 1 July 1999 for the annual report, which also had previously been set out in Contingent Liabilities, assets and liabilities after the reporting period (1974). Additionally, the accounting for inventories that are not covered by IFRS 10 has been added to it.

It is forbidden under IFRS 37:

- carrying out large-scale delays without cost;

- Creation of reserves that are not related to the existence of a debt on some liabilities;

- regulation of profitability through reserves.

For users to make an understanding of the situation and to provide a clear and honest picture of what happened to them,

requires detailed disclosure of information.

IFRS 37 states that, except for the contractual obligations that arise from the fair value measurement of financial instruments, the contracts that are to be performed in the future, with the exception of reserves, contingent liabilities and contingent assets that occur under insurance contracts with those who have insurance policies, and other IFRSs, are accounted for by all companies during the measurement of contingent liabilities and contingent assets. Other IFRSs include IFRS 11 Contract Contracts or IFRS 19 Employee Benefits. Contracts to be executed in the future require further explanations. These are the agreements that no party has yet to fulfill their obligation, or both parties have fulfilled their obligations partly in the same amount.

IFRS 37 provides clear and ambitious targets: ensuring the consistency of the application of contingent liabilities and contingent assets' assessment and recognition procedures, and disclosing sufficient information to enable users to understand their impact on current and future results of the company's activities.

We had two more praises:

Reserve is a liability that is indefinite and time-consuming.

Commitment is the current obligation of the company, which is a debt that has occurred in the past, which will lead to the withdrawal of resources from the economic benefits of the company.

The definition of a liability constitutes a "liability". What does "commitment" mean?

Commitment may be legally or practicable.

The legal obligation is based on:

(a) on a contractual basis (whether or not it indicates its existence);

(b) on the basis of legislation or

(c) other activities of the law.

The contract can then be classified as being loaded on a contract

the imminent costs for performing the obligations exceed the amount of contractual expected economic benefits. "

The Company's commitment to experience is the result of the company's own business. These are:

a) has demonstrated to other parties that the experience gained, the guidelines, or the reasonably current statement that the company is willing to undertake certain obligations; and

b) the other, ultimately, that the company would fulfill those obligations

There is a base of trust in the parties "

Issue.

Determine if the company's commitment to an obligation has occurred in the following cases:

1. Wildlife facilities have been seriously damaged as a result of the activities of the A company operating in the recreational industry, where legal mechanisms for the protection of the animal kingdom are not in force. The company attaches great importance to the protection of wildlife, the company allocates considerable resources to the World Wildlife Fund and carries on an active company on behalf of the organization. The amount of damage is 1 mln. €.

2. Severe environmental pollution has occurred as a result of the oil tanker crash near the coasts of one of the Pacific Islands.

Previously, in similar circumstances, the company was able to abate the cost of eliminating pollution, and in general the company does not pay attention to the problems of ecology.

Solution

1. Commitment comes from experiencing, because it builds on the fundamental belief that the company will recover the victim's object of wildlife.

2. There is no obligation because the company's actions do not substantiate its ability to pay for ocean pollution losses.

Contingent Liabilities -

- is a possible obligation that arises from past events that can only be confirmed by the fact that one or more uncertain future events that are not fully controlled by the entity are initiated or not;

- current liabilities arising from past events, but are not recognized because;

- it is unlikely that resources that are economically viable for the settlement of the obligation will not be out of the company;

- or the amount of liability can not be measured reliably.

Issue

Express the key difference between reserves and contingent liabilities in your own words.

Solution

The absolute signs of reserve:

- the existence of a current liability as a result of past events;

- The probability of resources originating from economic benefits;

- Possibility of assessing the time and amount of the obligation.

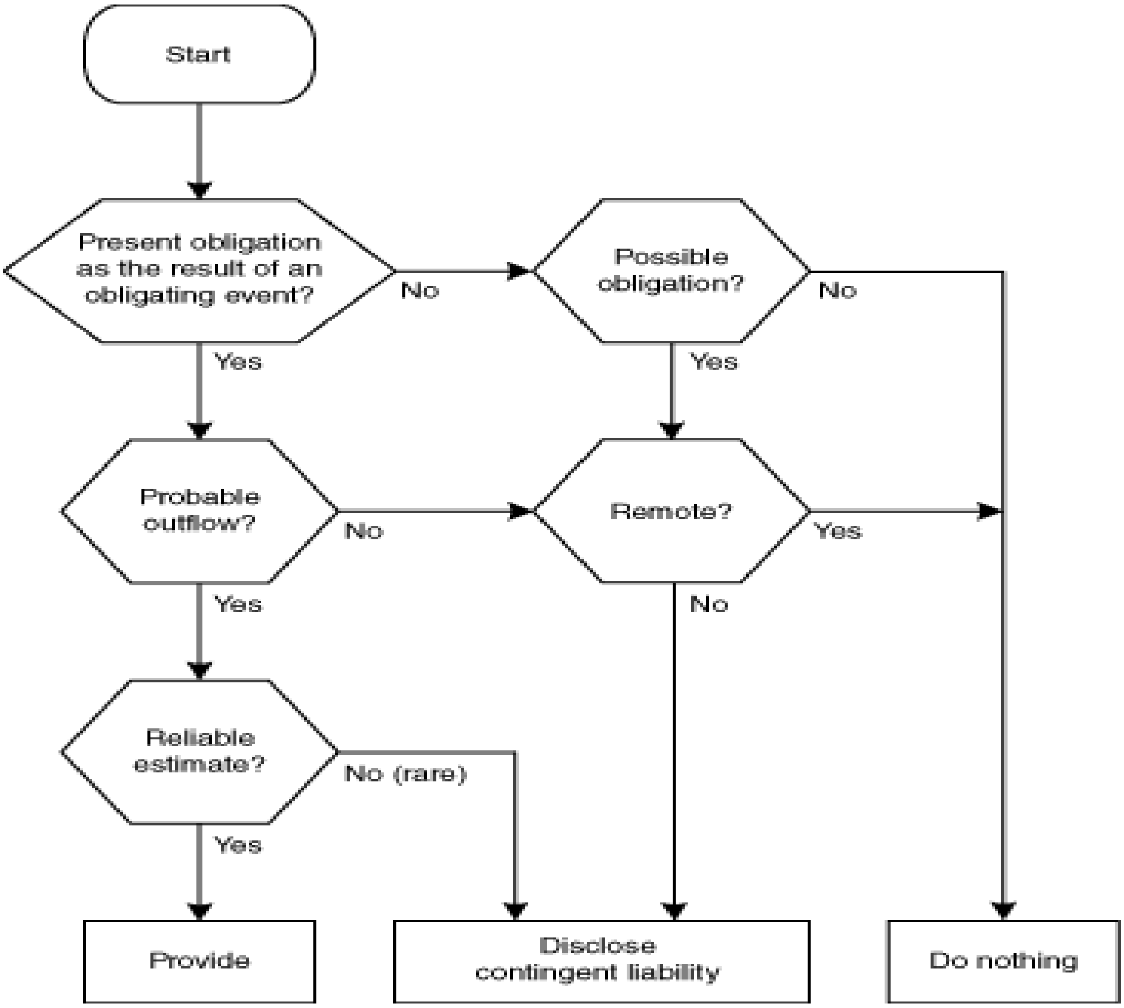
If one or more of the indications are missing, then we are facing a contingent liability, ie when a contingent liability:

- if there is a possible obligation due to past events;

- or there is no possibility of resources that have economic benefits;

- It is not possible to estimate the liability or liability reliably.

In fact, a conditional obligation means a reserve that does not have one or more of the three absolute signs. In the annex to IFRS 37, a useful scheme scheme is used to determine whether a contingent asset or contingent liability exists in the current situation. We present this scheme to your attention.




A solution tree that helps identify the reserve or contingent liability.

All of this is very intricate, because it is a preconditionally obligated commitment, because it is the determinant of the moment and amount of its execution, but it is not a contingent obligation but a precaution. Under the definition of FRS 37, a contingent liability is a liability, as it appears on its own behalf, but is not recognized if it is not accounted for, and disclosed only in the report.

IFRS 37 Contingent Assets:

the existence of an outflow of past events determines whether one or more uncertain future events that are not under the company's control will only be initially established or initiated.

If the reserve has three mandatory items and the amount can be measured reliably, the amount of the provision for the provision is recognized and recognized in the statement of comprehensive income, and the reserve is reflected in the balance sheet. Contingent liabilities are not recognized in the financial statements, but are disclosed in the explanatory notes to those statements. The following information should be disclosed on contingent liability:

- a brief description of the essence;

- approximate estimate of the amount;

- uncertainty about the amount of the obligation and the date of payment;

- the probability of payment for that liability.

A contingent asset is also not recognized in accounting records but only if it is probable that the economic benefits will flow.

You have already pointed out that the way in which future accounting entries or economic benefits are reflected in the understanding of words / assumptions / assumptions by the management of the company / experts, as these three concepts are defined in IFRS 37 it has not been. An explicit dictionary of the English language has the following definitions:

Probably - possible or likely to happen, but not necessarily;

it is possible - the ability to perform, which is less probable compared to probability.

slightly - distant, weak, light.

Issue

Determine the manner in which the following events are reflected in the company's report as at 31 December 20X1. If it did not show anything else, the information was brought to 21 December 20X1.

1. The law requires the airline to carry out capital repair every three years. The aircraft was purchased a year ago.

2. The Company has issued a loan commitment to the subsidiary. In March 20X1, the subsidiary was bankrupt and the funds received from its cancellation are insufficient to repay the loan.

3. The company has been providing time to wedding on September 20X1. Several people died in the reception as a result of eating poisoning after the wedding. The relatives of the deceased have filed a lawsuit against the company, the company does not accept its commitment, lawyers believe the court company is not guilty.

4. The Company has leased the production area and equipment of the plant on lease terms. During the year the company carries out its production in another factory, but it is impossible to break the lease agreement with the first plant and lease it for the second time.

5. According to the government's decision, the legislation of the country in which the company operates is subject to significant changes in health and

occupational health, directly related to the company's activities. In accordance with the requirements of the new legislation, the company has to re-teach the basic part of staff. Re-training has not been held yet.

6. At the end of the year, the company registered a non-recourse leaseback amounting to a total of € 600,000. In the case of March 15, 20X2, the company's unpaid bills remained in the amount of € 150,000 after one month's maturity.

7. No electricity was received for the last quarter of the year.

Solution

1. Regardless of its future activities, the Company has no obligation to carry out a capital repairs for the current reporting period. The company can sell the aircraft to avoid repair costs. In this case, there is no reserve or contingent liability.

2. There is a commitment of the company to execute the assignment and at the same time there is a possibility of the funds. The company should recognize reserves in its report.

3. There is no obligation, so there is no reservation. This is a contingent obligation if lawyers do not consider the probability of a deduction of funds, then it should be disclosed in the company's financial statements.

4. There is an example of a contract that we have before us. In this case there is a liability arising from the right situation and, if so, the total amount of inevitable lease payments should be restated. Prior to the recognition of the contract as a burden, it should be considered from the 'Leaseback' IFRS 17.

5. There has not yet been a commitment because the resettlement process has not yet commenced. Therefore, the reserves are not recognized and the

contingent liability does not occur. The company should evaluate as much as possible penalties for failure to comply with the new legislation, and if the penalty is large, it is necessary to create a reserve of possible penalties because the new law comes into force.

6. The obligations of the company do not occur because the promissory notes belong to the type of bills that are not eligible to be reclaimed.

7. This is an explicit calculation since the time and amount of the obligation has been determined.

An example of an offshore oilfield is illustrated as an illustration of the application. In this example, the company that exploited the oil spillage has an obligation to dismantle the burrow and to regulate the land after the oil extraction is over.

The standard concludes that these costs should be considered as resources from the beginning of the work. It seems to us that such a decision contradicts the exploitation costs incurred in keeping the aircraft in paragraph 1 of issue 18.6. Oil can also be sold as an airplane. Under IFRS 37, the amount of the reserves should be reviewed for each reporting period and adjusted if necessary, and the calculation of the expense for the provision of the reserve liability may only be incurred on the expense of that provision that has been created to cover those costs. Thus, it can not be used for certain purposes to cover previously unused costs, but for some other costs.

The back-up company may, at times, insure that part of the costs to be covered by that reserve be covered by other parties, such as an insurance contract or a warranty of merchandise. In such cases, the consideration should be treated as a separate asset and only when it becomes apparent that the acquisition is actually recognized, it shall be recognized in profit or loss.

The enterprise sells the goods at the guarantee of repair costs for any defects found during the first six months after the purchase. In case of minor deficiencies in all sold products, repair costs will be 1 million. In case of serious deficiencies in all sold products, repair costs will be 4 million. Past experience and future projections of the enterprise show that 75% of the goods sold for the next year will be impeccable, 20% defective and 5% serious defect. In accordance with paragraph 24, an entity assesses the likelihood of disposal of collateralised liabilities as a whole. Expected cost of repair costs will be calculated as follows:

(75% of 0) + (20% of 1mln) + (5% of 4 mln) = 400,000

## 2.2. Accounting for tax and other mandatory payments under IFRS and Tax Law

The market economy also made significant changes in the taxation area and required to keep the accounting records along with tax accounting. The taxpayer is obliged to register the tax on the date of the establishment. At present, information on the activities of each individual or entity is based on its TIN (Taxpayer Identification Number).

A natural or legal person undertakes to be an optimally qualified taxpayer after his / her tax registration, and oversees the payment and settlement of those tax liabilities.

According to Article 77 of the Tax Code, the duty of taxpayer to pay taxes (including current tax payments), accrued interest and imposed financial sanctions determined in the cases and in the manner prescribed by the Tax Code is considered to be a tax liability. Also, the grounds for the creation, alteration or cancellation of the tax liability, the procedure and terms of the tax obligation fulfillment shall be determined only by the Tax Code.

The taxpayer is responsible for the fulfillment of the tax obligations at the time of the occurrence of the conditions for the payment of the tax in accordance with the requirements of the tax legislation. The tax liability is terminated in several cases:

- During the payment of the tax;

- When the debt to the budget on taxes, interest and financial sanctions is extinguished by legislation;

- when the taxpayer dies when he is deemed dead under civil law;

- Cancellation of the legal entity, who has a taxpayer by the liquidation commission (after the budget calculations).

Based on the references given in the Tax Code, it is concluded that when a physical or legal entity stops tax registration, it is registered as a taxpayer. Information on its activity is known to taxpayers through tax returns and tax returns, based on tax returns and tax returns. Implementation of tax liabilities must be carried out directly by the taxpayer. Fulfillment of the tax obligation is to ensure the repayment of the debt to the budget within the period determined by the legislation. Fulfillment of tax liabilities is compulsory regardless of whether the taxpayer has funds in the bank accounts and cash accounts as well as whether or not he has property.

According to the Tax Code, the procedure for calculation and payment of each tax, as well as terms of payment are defined. Tax calculation is under the obligation of the taxpayer. It calculates the taxable income for its activities in accordance with the established procedure. But sometimes the tax authorities make calculations and commitments for the taxpayer. The tax authority has the right to calculate tax based on several sources of information in accordance with the Tax Code:

- information provided by the taxpayer in tax returns;

- Based on tax inspection (cameral, mobile, operative);

- information obtained by mutual consignments from other government agencies (eg export and import transactions based on information received by the State Customs Committee);

- when the taxpayer makes a mistake in the calculation of the taxes, the tax authorities shall calculate the taxes in accordance with the legislation and shall notify the taxpayer about the tax calculation.

According to Article 85 of the Tax Code, the duration of each tax payment is determined. Changes in the terms of payment of taxes established by the legislation shall be carried out only in the manner and in cases determined by the Tax Code. Replacement of the tax expense does not eliminate the existing obligation and does not create a new tax liability. Failure to pay tax liabilities within the timeframe established by legislation creates a taxpayer's interest on the budget.

Procedure for payment of tax liabilities is also regulated by the Tax Code. Thus, tax liabilities must be paid to the budget in the following sequence:

- calculated tax amount (with the date of creation); the amount of accrued interest; Amount of applicable financial sanctions.

According to the Tax Code of the Republic of Azerbaijan, the following taxes are defined:

- income tax for physical persons; corporate income tax; simplified tax; Value-added tax; Land tax; Property tax; Road tax; Mining Tax; Excise tax.

Taxpayers may, at their own discretion, pay one or more of the taxes listed above.

The "Tax liabilities" account is used to determine and pay tax liabilities of individuals or legal entities. Separate sub-accounts are created within this account for each tax liability. This is an ideal tool for controlling the occurrence and payment of each tax liability.

Businesses typically pay for the goods, materials, or services they are selling, as they pay for the work they do, and pay taxes on their respective taxes when they have property and land.

Depending on the scope of the business offered by businesses, it has the right to be an Extra Value Tax or a simplified tax payer. Individuals or legal entities with a turnover of up to 200,000 manat a year are simplified taxpayers and those with more than 200,000 turnover will become Extra Value Taxpayers. However, significant changes to the Tax Code since 2017 have created enormous opportunities for entrepreneurs engaged in trade and catering. The business has the right to remain as a simplified taxpayer, with more than 200,000 entrepreneurial turnover in trade and public catering. However, if the simplified tax is 4% if the turnover is up to 200,000, the turnover is more than 200,000, and entrepreneurs in the trading area can become a simplified tax payer for 6%, and public catering 8%.

Let's look at the interview on sales of the enterprise:

The entity is a Value Added Taxpayer and has provided goods (or service) for their business.

DT "Short-term Receivables of Buyers and Customers" account

KT "Sales" score;

The VAT reflected in the accounting for sales will be as follows:

DT "Sales" account

Additional Value Added Tax expense of the TA Taxes Account.

In the case of tax liabilities, the interview will be issued:

DT "Tax Duties" account "Additional Value Tax" sub-account

TC "Bank Settlement Accounts"

Even though the entity is a simplified taxpayer, tax liabilities are accounted for as described above.

The Reporting Period for Added Taxpayers is a calendar month and the period for submission of the report by 20 June. For simplified taxpayers, the reporting period is quarterly, and the submission deadline is the period from the 20th day of the month following the quarter.

Another type of tax that is considered more widely in the taxpayer's relationship with the budget is the income tax for the hired workers. All employers, regardless of their type of activity, are payers of this tax. Individuals are tax deductions within the limits of the salary of the taxpayer. Here, too, how much interest rate the wage is to be determined is determined by the Tax Code. So, if the monthly income of the hired worker is up to 2500 manats, then it will be taxed at 14%. When salaries are more than 2500 manats, 14% of the 2500 manats and 25% of the 2500 manats are involved in income tax.

The tax legislation has also determined the exemption from income tax for hired workers. Thus, for persons with income up to 2500 manats, the part of the country's minimum living wage is 12 times the income tax, if the country's minimum living wage is one-fold, and the annual income is up to 30,000 manats.

## 2.3. Characterization and accounting of debt securities under IFRS

According to the existing order debt securities - the obligations that are placed by issuers to replace cash in the stock market are understood. Bonds, deposit and deposit certificates and promissory notes are widespread in the Azerbaijani market. Treasury bills, checks, bank savings books, and warrant securities, options and others should be included in a specific group.

In general, bond is one of the main types of securities. It is possible to obtain the nominal value of the bond or other property equivalent from its owner for a certain period of time. Thus, the bond has the following characteristics:

a) there is an expiration date;

b) the interest is therefore seriously registered;

v) the advantage of the interest in the payment of interest.

T-bills have both nominal, buy and market value. Nominal price plays the basic role when the interest is calculated and when re-calculated; When the overdue debt is over, their purchase is made at the purchase price; Bonds are traded at market rates. In general, bonds on the stock market may change at any time depending on the situation and situation.

There are some classifications of bonds in the nature of issuers; by the method of possession; due to the term of the debt; according to the form and methods of payment of income, etc.

According to the issuer's nature, the following bonds differ:

a) public debt;

b) debts of the executive branch;

v) debt of local and municipal authorities;

q) debts of enterprises.

According to the method of having a bond, they are divided into bonds called and issued. Depending on the term, the bonds are divided into three parts:

1. Short-term bonds;

2. Medium term bonds;

3. Long-term bonds.

Bonds for income form are divided into the following: coupon rate bonds; slipping coupon bonds; coupon rateless bonds; bonds are distributed according to the method of income payment: bonds with coupon income; bonds paid; bonds with securities and bonds repayable.

The following types of bonds are currently in the Republic of Azerbaijan:

1. state short-term bonds;

2. debt bond;

3. bonds of public savings;

4. bonds of domestic currency debt.

The issuance and circulation of state short-term bonds are governed by relevant resolutions of the Cabinet of Ministers and the National Bank of the Republic.

The government's short-term bonds issue is issued on a regular basis for a period of up to one year. Repayment of these bonds is carried out in cashless form to the owners of the bonds face value. In short-term bonds, the difference between the selling price and the purchase price is understood.

The main terms of issuance and circulation of debt bond are determined by the Decree of the Government of the Republic. The National Bank of the Republic acts as an issuer of these bonds. The holder of bonds may be both legal entities and individuals of the Republic. More specifically, these bonds are usually medium term. Their owner has the right to receive coupon income in interest form relative to the nominal value of the bonds. The National Bank of the Republic of Azerbaijan regulates the volume of the bonds for each separate issue, the order of calculation of coupon income, the date of placement, the order of repayment and issue of coupon income, agreed with the Ministry of Finance of the Republic. Coupon revenues are calculated separately for each period of repayment of coupon income.

The procedure of issue of bonds of the state savings debts of the Republic of Azerbaijan shall be determined by the Government of the Republic of Azerbaijan and the National Bank.

The issuer of bonds is the Ministry of Finance of the Republic.

Such bonds are issued for one year. Each bond has 4 coupons. Coupon period is three calendar months and is determined from the date of issue. Interest on the coupon is calculated by the issuer for each coupon period. This interest income is officially declared coupon rates. At the moment of repayment of the bonds, the holder shall pay interest on the face value of the bond and the last coupon.

In accordance with the current legislation coupon income, which is interest-bearing in respect of the nominal value of the depositor's bonds, shall not be subject to taxation on the profits of the enterprise as well as on individuals.

Coupon revenues generated when bonds are traded. The coupon set is an integral part of the bonds and their amount is determined mainly from the maturity of the bonds.

Currency bills are calculated at three percent annual. Usually interest is paid once a year. Coupon must be provided at this time.

According to the relevant decision of the Cabinet, interest rates on bonds can not be taxed.

Savings (deposit) certificates are also a kind of securities. A legal entity or individual who deposits a certain amount of money to the bank for a certain amount of time may receive the amount and interest shown on that certificate from that bank or its affiliate. Savings (deposit) certificates may be presented or named.

The distinguishing features of the certificates are:

1. Only bank may act as their issuer;

2. They are issued in writing only (cashless payment in the form of notes in the accounts);

3. can not act as a means of payment and payment for goods and services;

4. Execution of obligations is possible only in the form of money;

5. Bonds shall not be issued without advance payment of their nominal value.

6. Serious formalism and filling of mandatory requisites (the certificate is invalidated if one of these requisites is not enough).

The term of deposit certificates circulation is 1 year. Savings certificates are equal to 3 years. If their expiration date has expired, they will be considered as "required". The Bank is obliged to pay those documents on the first request of the holder.

# Chapter 3. ANALİTİCAL PROVİSİON OF ACCOUNTİNG AND AUDİT OF LOANS AND OTHER DEBT İNSTRUMENTS EXPECTİNG IFRS AND EXPERT OPINIONS

## 3.1. Audit and accomplishment of liabilities on loan and other debts and their improvement.

The development of new economic relations - market-based relations has created a challenge for all forms of ownership. In this case, the interference and administrative control of the state and its executive bodies in the activities of non-state economic entities is considerably limited. However, the state is interested in the timely detection of financial transactions involving the execution of the laws, norms and norms, as well as the economic financial activity in all farms regardless of the form of ownership. Practical solution of these issues of state significance is possible only through audit activity.

Audit activity is multidimensional. Audit conducts audits in all areas, one of which is verification of fulfillment of business obligations.

In modern time, the main purpose of the audit is to be an independent auditing of accurate and honest accounting records of business entities, compilation of accounting and financial statements, as well as the accuracy of the effective use of available funds for their intended use. In this case, the auditor's opinion reflecting the results of the inspection conducted pursuant to the decision of the competent state authorities shall be subject to the opinion of the expert examination established in accordance with the procedural legislation of the Republic of Azerbaijan. Under such circumstances, audit involves the implementation of analytical procedures, which are an important element of its organization, based on specific provisions contained in financial and accounting documents.

Apparently, in the course of audits, the analysts are widely covered in the current surveys, and the status, accuracy of the customer's accounting and reporting, and compliance with existing laws and regulations are investigated. In practice, analytical procedures for this purpose cover different types and aspects of financial and accounting information. Thus, in modern circumstances, analytical procedures involve the checking of accounting records, accounting documents reflecting "suspicious" amounts, as well as information relating to inventories during a given period, and the search for unused sources of resources. Analytical procedures used in auditing audits include the analysis of key economic indicators and parameters, comparison of accounting information with actual data, and accounting amounts compared to the auditor's calculated figures. Apparently, analytical procedures in audits, one of the most important management functions, are used to assist the auditor in the process of auditing audits and to conduct a comprehensive analysis of the entity's financial and economic performance. Moreover, the use of analytical procedures throughout the process positively influences the quality of the audit and the reduced time spent.

It should be noted that, in the context of modern market relations, the analytical procedures used in the audit can be viewed from two positions. In the first case, the auditor identifies a set of parameters that enable the auditor to prove the reality and objectivity of the accounting and financial statements. In the latter case, analytical procedures are considered as necessary auditing procedures applied at different stages of the audit. In our view, the necessity of applying analytical procedures in the audit can be explained by recording, as well as checking the reality and accuracy of the selected index for reflecting and reviewing the accounting and financial statements. Obviously, the collection of facts about all deficiencies detected during the audit is carried out through analytical procedures. However, the limited timing of the audit audits, the prior agreement on the basis of the contract with the client creates the problem of selecting effective auditing procedures. In this case, it is an objective necessity to differentiate between actual control, inspection and inspection methods and other analytical procedures from specific procedures.

It should be noted that, at different stages of the audit process, the auditor chooses one of the above listed procedures for his / her level of professionalism and nature of the research object. However, in practice, the auditor uses a number of auditing procedures that are not foreseen for the approval of this or that fact, and their interpretation is based on the principle of 'general individual audit'. Additionally, checking of accounting facilities and financial statements, errors detection and evaluation are the result of analytical procedures applied during the audit. In a number of cases, auditing procedures are directed to the approval of predetermined facts through analytical procedures. At this time, the rules for applying the analytical procedures used in the audit process may vary. It should be noted that the necessity of applying analytical procedures in the process of auditing audits and its mechanism is governed by the auditing standard 56 (SAS N 56), which was approved by the American Institute of Public Accountants Institute of Accountants in 1988. In our opinion, this standard and its application rules can also be used successfully in the country's experience in auditing audits. Experts who are involved in the study of external practice and the preparation of audit standards are required to apply the conventional procedures in the audit process. The SAS N 56 auditing standard, widely used in international practice, envisages the study of probable proportions between financial and non-financial transactions and the valuation of financial information based on the actual amount of the auditor's assessment. It is important to emphasize that the analytical procedures applied in the process of solving several specific aspects of the audit allow for the necessary evidence and facts. However, with the use of analytical procedures in most cases, there is a need for additional information to obtain facts confirming the specific conclusions of the audit. The study of this information confirms the opinion of the auditor on the completeness, accuracy and legitimacy of the information reflected in the accounting system. Under the circumstances, the client should be aware of the results of the analytical procedures on the compliance with the requirements of the legislation of the Republic of Azerbaijan in the audit, the quality of the audits and other audit services, any defects found, accounting records and depends on factors such as giving. It is also emphasized that the degree of confidence in the results of the analytical procedures within the international audit standards depends on the following factors: 1) the items; 2) the existence of the application of analytical procedures used in auditing audits; 3) accuracy of the results obtained from the application of analytical procedures.

In theory and practice, most auditors claim that information obtained through the implementation of analytical procedures is insufficient and real. In connection with this, the auditors focus on such procedures as recalculation, review, approval, and documentation, and in their opinion, they obtain reasonable information. In some cases, it takes a lot of time to implement various auditing procedures to obtain facts about accounting and reporting deficiencies. In our view, it is possible to obtain objective information about the shortcomings and omissions that have been carefully considered by accounting and financial reporting. The Case Study by C. Robertson is an example of a study by the American Institute of Public Accountability Institute of Accountants. According to auditors, analytical procedures applied during the audit help to detect the error of 27.1% and predict 18.5%. As a whole, "inaccurate" procedures reveal a 45.6% error. According to the rules, these procedures are carried out at the initial stage of audits. In our view, the successful implementation of the audit procedures depends directly on the outcome of the analytical procedures applied at the initial stage of inspections.

An example of this can be illustrated by the review procedure performed at the initial stage of audit audits. Obviously, this procedure does not guarantee the identification of possible errors during analytical procedures. Additionally, analytical procedures are relatively low in comparison to the original documentation, the detailed procedures based on synthetic and analytical accounting registries. However, there are shortcomings and drawbacks in some of the procedures that provide "accurate" information in practice. Examples of this are the fact that the degree of complexity of the audit engagement is incompatible with the level of auditors' qualifications, and the existence of differences between the information provided in the primary documentation, the registry and the financial statements and the information provided for the audit.

It is known that analytical procedures are used at various stages of audits (planning, auditing, auditing). However, the content of analytical procedures may vary depending on the stage of audit implementation. SAS 56 "Analytical Procedures" (AU, section 329) sets out the requirement for the use of analytical procedures in the process of auditing audits. Therefore, the auditor pays special attention to the customer's business activities, changes in analytical and synthetic accounts balances, non-typical business transactions and non-typical relationships to business subjects. Moreover, comparing actual information with past year's information and business-plan indicators of the current year can facilitate the auditor's work to disclose the benefits and disadvantages, discrepancies, and financial and investment performance. From this point of view, the comparison of the results of the financial and investment activities of similar firms operating in the same line of business and the economy is considered an essential analytical procedure for the planning phase.

As it is known, the main task of the analytical procedures in the planning stage of the audit, which is organized under market relations, is the identification of the subdivisions in the accounting and financial statements, which differ from actual levels. In our opinion, with the help of analytical procedures, it is possible to clarify the characteristics of the customer's production and compliance, as well as identify the problems that arise in the formation of financial information, as well as the level of auditor risk. Additionally, analytical procedures at the planning stage allow the customer to understand the characteristics of production and commercial activity, identify the potential risk level, and determine the nature, time frame and depth of other audit procedures to be obtained for the acquisition of actual materials .

It is known that acquaintance with the business activity of the customer when entering into an audit contract is considered an important stage of the auditor's business. Under such circumstances, the compilation of accounting and financial statements from a finan- cial financial standpoint is considered to be the primary focus of the auditor's activities and is a sign of the correct and optimal decision making process in the audi- ence process. The implementation of analytical procedures at this stage of the audit, systematic awareness of the auditor on the client's activity, creates confidence in his actions and helps to plan the inspection properly. During planning procedures, the auditor chooses one of the two main tasks: 1) the possibility of using only analytical procedures; 2) checking financial documents together with other registries.

That is why, in the market conditions, a specific decision is made to obtain the objective set out in the auditor's judgment on the effect expected from existing procedures.

Experience shows that errors in the use of analytical procedures in the planning phase are intended to identify probable analytical and synthetic accounts. In the initial analytical summary process, identifying such accounts does not imply that accounting and financial statements are incorrect. It is known that the auditor uses the information of those accounts only during the inspection planning. In addition, the auditor may decide on the use of other analytical procedures to facilitate the process of expertise, review and inspection. Meanwhile, the analytical procedures used in the audit process provide for the acquisition of substantive facts about business operations and deficiencies, as well as the disclosure of changes in accounting principles.

Apparently, analytical procedures used in the audit process, one of the major functions of management in the context of market relations, are characterized as one of the necessary forms of inspection designed to study positive and negative discrepancies. In addition, the analytical procedures used to study mutual relationships during audits of economic entities allow the calculation and evaluation of the absolute amount of errors. In our opinion, if it is not possible to do so in a convincing way, the auditor uses alternate verification methods, taking into account the cause and the seriousness of the missed shortcomings. This time, analytical procedures can be used directly as a source of audit evidence. In this case, the auditor pays special attention to the following factors: 1) the objectivity of analytical procedures and the level of confidence in their outcomes; 2) Characteristics of production and commercial activities of entities and opportunities for dissemination of information; 3) Prospects for gaining financial and non-financial information; 4) reliability, authenticity and authenticity of the information obtained; 5) information loss; 6) sources of information obtained; 7) Comparison of incoming information.

It should be noted that the importance of using analytical procedures at the final stage of audit audits is conditioned by the effectiveness of the analytical procedures used in the planning phase of the audit and directly in the audits process. In our opinion, the overall analysis of the financial statements carried out at the final stage of the audit does not reveal new facts and only serves to verify the information obtained from other sources. Apparently, analytical procedures for auditing economic entities are not capable of detecting the shortcomings and deficiencies in the entity's economic and financial performance. In practice, when unexpected results are achieved during the implementation of analytical procedures, it is expedient for the auditor to solve the following problems: 1) Checking the "legitimacy" of dependence (interconnection); 2) reassessment of the accuracy of the analytical procedures used in the audit process; 3) Review of the legitimacy of alternative opinions formed on unexpected results and indicators; 4) Preparation of alternatives for auditing audits to open the event.

If it is found out that, as a result of the application of analytical procedures, the difference between the entity's actual position and the situation, the auditor takes into account:

1) The possibility of obtaining additional information; 2) The severity of the quantities resulting from the implementation of the analysis procedures; 3) The possibility of adversely affecting the auditor's opinion. Thus, as seen from the theoretical research, the effectiveness of analytical procedures directly depends on the quality of financial and non-financial information provided by the customer. It is impossible to carry out effective control without a good quality management system, distinguished by the complexity of the companies, which produce a wide range of products (jobs and services) characterized by various operations. Such information creates a database that is essential for managing the system, and an external auditor uses it to perform basic procedures.

All of these statements indicate that an auditor may achieve more accurate verification if the auditor uses balanced and competent audit analytical procedures while conducting an inspection.

**3.2. Expert opinions.**

I have appealed to the experts to investigate my subject more thoroughly. These expert were Kamala Rzayeva -Chief Accountant of AS Construction, Taghi Taghi-zada - Chief Accountant of SSI Retail LLC, Ramil Mammadov - Financial Advisor, Elnur Hajiyev - Chief Accountant of P & C LLC. I would like to present you these expert the question and requests:

1) Do you generally use the IFRS?

Kamala Rzayeva - the chief accountant of AS Construction. This company is engaged in the construction and construction of concrete. At present they works in Pirshagi on wastewater treatment plant, the project costs $ 25 million. They also build a residential building for obligatory refugees in Pirallahi and Shirvan.

She responded to this question: “In accordance with IFRS, we have only set long-term and short-term liabilities. We apply it according to 1C program. And many of the features in the 7nd version of the program did not meet the IFRS. But 8th version of the program responds to the IFRS”.

Ramil Mammadov: “Yes, we are applying some of the standards of the IFRS. However, we have not been part of the IFRS.”

Elnur Hajiyev: “Note that we do not use the IFRS in our company's accounting records. Because we use traditional accounting standards. However, according to the "Accounting Law" adopted last summer, we have to switch to international accounting standards. We are currently working on this process.

We expect that the current year's reports will be prepared on the basis of international standards.”

Taghi Taghi-zada: “By 2018, almost 50% of accountants and financial officials in Azerbaijan were unaware of the IFRS. Because the Ministry of Taxes and the Ministry of Finance had no special requirement for IFRS. Until then, accountants were simply applying National Accounting Standards. National Accounting Standards have been adapted to some standards of the IFRS and the Soviet system. However, since the middle of June 2018, each company has to apply international financial reporting standards. Companies have been worried since that date. Because of the increased transparency in the tax, the increased transparency in the customs, and the increased state of audit control by the state, each company must switch to IFRS. Therefore, companies are hasty to quickly comply their statements with IFRS. Our company is currently in the transition phase. Generally, companies in Azerbaijan can be divided roughly into three places according to their accounting. Companies with the IFRS system, small companies that have no idea of transition to IFRS, and examples of smaller shops. The third type is the IFRS system that has not been an IFRS until 2018, and now it is possible to refer to companies that are trying to move to IFRS. Our company is also the 3rd type. Whether you need to do or not. Because this is already the demand of our state to companies. Each company should be explicitly required to go to IFRS, to keep its records in accordance with its rules. However, currently many companies are simply engaged in tax accounting, as they are demanded by the state. But we do not. We have both accounting, management and tax accounting separately. Some companies are still unaware of the news and do not use it because they have been taxable.”

2) What standards do you use to record a liability?

Kamala Rzayeva: “We do not use the names of the standards that we mainly work with the software”.

Ramil Mammadov: “We use İFRS 9 Financial Instruments, İFRS 16 leses, İFRS 37 provisions, contingent liabilities, and contingent assets and other standards.”

Elnur Hajiyev: “As I said, we do not refer to standards. I will not answer this question because we do not use the standards.”

Taghi Taghi-zada: “Generally, our company records, calculates, evaluates both assets, liabilities, and revenues and revenues. Because, as I said, this is a requirement of the state and we should follow that. Let me take that example. We take an asset. A miscellaneous machine worth $ 10,000. Of course, we can not just buy it. It is understood after shipping costs, insurance costs, shipping costs, and a total cost of $ 10,000 for this asset. So we have an asset of $ 10,000. When recording this as an asset, of course, we must also record an obligation that is the source of its existence. If you have been loaned, we would like to note this amount as a creditor debt. So, what do we use when we record it? Of course, each balancing element has its own standard, a rule, without the difference of assets, capital, and equity. For example, when we record the receipt of the machine, we use the Property, Plant and Equipment No. 16 standard. The liability is accounted for in accordance with IFRS 16 or leases - IAS 17 - long-term credit risk. That is not just something that is relevant to our commitment. For example, when we create a charter capital, we use appropriate standards for each of them when we create equity shares. Different IFRS standards for each transaction should be applied in the calculation of revenue, expense calculation, expense on cost of goods and profit calculation. You need to have this knowledge and through this theoretical knowledge you can build a perfect accounting system with practice in practice."

3) Which accounting policies do you enforce in tax accounting and accounting records?

Kamala Rzayeva: "Long-term and short-term liabilities are separated into tax records. Other creditors are divided into other liabilities already. When we receive more than one bank loan, they require financial statements and we classify liabilities there as: short-term, long-term commitments".

Ramil Mammadov: "We compile tax records according to the legislation. The accounting policy is based on the accounting standards."

Elnur Hajiyev: "Tax accounting and financial records are different. Because tax accounting is specifically carried out in accordance with the requirements of the Tax Code, and accounting should be based on the national accounting standards and should be based on the new IFRS standards."

Taghi Taghi-zada: "In general, if we conduct our accounting under international standards, the accounting policy we can choose at this time is actually limited. And we can not often choose this. If you say it's a standard, you have to do it, so it's our policy. However, there are some choices we may have during accounting. For example, in the accounting for assets, IFRS applies the option to depreciate our long-term assets. Under IFRS, we can calculate depreciation by the method of production, by the residual method, or by the declining residual method. In this case, we will choose our accounting policies to make the calculation accurate and reflect the reality more accurately in accordance with our accounting policies. Contingencies can occur when accounting for liabilities. For example, we have a trial that is currently in progress. We can earn $ 1 million or lose $ 500,000 from here. International standards allow us to choose whether we recognize this transaction as unrealized, or complete it as an expense. This means that IFRS allows us to formulate our accounting policies. However, sometimes there are obstacles. For example, this is our accounting policy. If the probability of our contingent liabilities exceeds 50%, we create an expense item and we indicate that as a contingent liability. This is entirely accurate in terms of accounting. Because this is the requirement of the IFRS. However, when the profit or loss statement is prepared, we can not estimate the provision for contingent liabilities and contingent liabilities. Because our tax laws do not permit it. It automatically affects our profits and affects the tax that we pay. That is, when choosing accounting policies, we do not have much choice. IFRS gives us the choice, but most of them hinder the tax registration. Here's an example of assets. In fact, the choice of amortization of long-term assets leads to 4 options. It can be a double reduction, a diminishing residual, a straight-line method or a production method. However, this is exactly 2 in tax records. Reduced residual or straight line. Many companies also use a straight-line method. therefore, there may be problems between tax accounting and accounting when selecting accounting policies."

4) Do you use bank credits? If yes, in which direction?

Kamala Rzayeva: "In fact, our company is not so enthusiastic about bank loans. Sometimes the customer delayed the loan, but we use the credit line only to pay the wages and material costs of the bank loan, and the loan will be repaid once the client has paid for the loan interest rate".

Ramil Mammadov: "As you know, Gilan Holding has enough budget and it uses the same budget for its operations and uses loans during large-scale inverse operations. We, Gilan Instructor, finance the head office. With this financial support, we manage projects."

Elnur Hajiyev: “Yes, we use bank loans. Because of the role of bank loans in the development of business. That is why bank loans have a special place in our enterprise. We use bank loans in the direction of expanding and expanding the company's future activities.”

Taghi Taghi-zada: “Our company is a retailer company. We have over 60 stores in the country. 95% of the goods sold in our stores are imported from abroad. We carry out all external payments through the bank. Pasha bank, Kapital bank, Bank Respublika are our partners. Bank loans, of course, are needed as well as many companies. We can use the charter capital up to the point where we can earn a sale. It happens day after day, when goods come from different countries and different suppliers. Some of them are Euro, and some of them make payments in USD. It should be noted that we have USD, AZN and Euro accounts different. For example, we had to pay Dolce & Gabban $ 200,000 a week earlier. We did not have $ 200,000 in our USD account. On the same day, we took 200,000 loans and paid for the supplier. Then, we converted our money from the AZN account during the day and transferred the loan and we immediately closed the loan. That is, we are facing such short-term loans.”

5) As you know, the liabilities are divided into two categories: long-term and short-term liabilities. In the long-term liabilities, what standards do you apply when you lose your ability to pay and how do you record it?

Kamala Rzayeva: “We do not usually encounter such cases. However, this is mentioned in the agreement but does not apply to us”.

Ramil Mammadov: “We have not come across these situations because we have only short-term commitments. We buy goods and receive financial support from the head office and pay a maximum of one month.”

Elnur Hajiyev: “As we mentioned, we are not using the IFRS and therefore can not say which standard we use.”

Taghi Taghi-zada: “Yes, as we know, the obligations are divided into two categories, long-term and short-term. Long-term commitments may be cash or cash-settled items that have a maturity of more than 1 year. True, such a situation has not yet happened. But of course, we can lose the solvency of liabilities. For example, our sales may not be available or we may have excessive credit to other banks. Let's assume that we have to pay 10 million of our 10-year debt to A for a long time. At the moment, this money will become the hopeless debt of the other party. They will see that we are now going to be bankrupt and have lost our ability to pay. I do not have any idea how to apply the standard, but what can I do about it? In such a case, we recognize it as another income to reduce that amount from liability. Or maybe such a situation. We can lose our ability to pay. If we can not pay our debt for a long time, the other party will sue us. In this case, the court sees our situation and decides that you can not afford two million of this debt, and the rest will support the state itself. At this point, we recognize the 8 million that we still have as other comprehensive income, and we reduce our commitment to 8 million.”

6) At the accounting of the short-term liabilities, when the entity loses its ability to pay, a short-term liabilities become a long-term liability, and on the other hand it becomes a desperate debt. İn which report do you represent it in terms of IFRS? P & L or Balance Sheet?

Kamala Rzayeva: “As I said, we do not encounter such cases. However, I would mention the Balance Sheet if we did. So I think that if we do not pay, we can put it as a revenue. In fact, the liability is overdue in time and remains a long-term commitment. However, after the expiration of more than three years from the date of the obligation under the new legislation, it is not possible to file a claim for that liability and that long-term commitment is also deleted”.

Ramil Mammadov: “As I said before, we do not come across such a thing. But in such a case, we would record this operation on the Balance Sheet.”

Elnur Hajiyev: “Yes, it is the hopeless debtor's debt, and we have to comply with the accumulated reserve capital in the future, and from time to time in the system. This will be reflected in our Balance Sheet.”

7) In general, do you separate long-term and short-term liabilities during the accounting of liabilities? (you probably seperate in tax accounting, but during other accounting transactions?)

Elnur Hajiyev: “Yes, we allocate long-term and short-term commitments in our company. Because the recording of short-term and long-term commitments should be carried out separately. Because one may end in the current year, which is shorter than 12 months, because of a long-term commitment of more than 12 months, it will be reflected in the following years.”

Taghi Taghi-zada: “Let's say, we must make this separation compulsory. For example, we have a contract with A. A company requires the payment to take place within 1 month. Once we have the buyer, we can never mention this as a long-term commitment. Because accounting is a document that is based on documentation. We also need to pay attention to the term of the liability and to clarify whether it is long-term or short-term. I can not say the other companies, but even if we have an obligation of 1 year and 1 month, we are celebrating it as a long-term commitment. For a period of up to 1 year, we indicate a short-term commitment.”

8) What are the long-term and short-term liabilities of your company?

Kamala Rzayeva: “Our long-term commitments are usually between two companies of a founder. We recognize the commitments we have as a long-term commitment. However, other transactions - liabilities arising on acquisition of a property are the short-term liabilities that are usually less than one year in return.

Ramil Mammadov: “We have short-term liabilities. These are liabilities to suppliers.”

Elnur Hajiyev: “Our company's short-term liabilities consist of debtors and creditors, and our long-term commitments are bank loans. For our long-term commitment, I can show an example of a 3-year business loan to the Bank of X. The total amount of this loan is more than 100,000 manats.”

Taghi Taghi-zada: “As I said earlier, as a matter of fact, if we take a payment within one month, we will write it as a short-term commitment. When buying a machine or a new plant, we apply for bank loans. The return of such large amounts, of course, takes several years. and we are celebrating it as a long-term commitment.”

9) In what statement do you reflect allowance payments?

Kamala Rzayeva: “No, we just build a building based on the order of another company. The Kretid issues deal with the same company”.

10) Do you include short-term liabilities in the cash flow statement?

Kamala Rzayeva: “Balance Sheet is reflected in the passive section. If the advance is likely to return, it becomes a liability. For example, we also work with many companies, as well as companies such as Metak and Azeristeel are also availing themselves. Sometimes our advances are still in them. At this time, it will be refundable and we will use it as it needs. Based on the Advance Guarantee, we pay interest on the bank. We pay these interest payments as expense. However, some companies recognize it as a liability, and then delete it as an expense".

Ramil Mammadov: "Generally, cash flow commitments are not mentioned. When you pay the money, it is reflected in the balance sheet."

11) When other company invest in your company, what does the company pay attention in the report from a liability perspective?

Kamala Rzayeva: "No, we do not reflect the short-term liabilities in this report, but in the statement of financial position. In the statement of cash flows, we note only the commitments".

Ramil Mammadov: "No company invests in us. On the contrary, we have our investor, which is also the head office."

Elnur Hajiyev: "Another company has never invested in our company. We only invest in other companies. This transaction is marked as long-term investment in our report. The opposite party, in its report, perceived this transaction as an investment."

Taghi Taghi-zada: "Companies pay attention mainly to rates. In terms of commitments, they pay attention to the Total Debt-to-Total Assets ratio."

12) What are the advantages and disadvantages of accounting for credit and debt securities?

Kamala Rzayeva: “Of course, each of our customer reports is a must for our company. Those companies make a decision to work with us according to our reports. Usually they want annual reports. Sometimes they require monthly reports. Even the banker himself evaluates these statements when assuring such a guarantee. They basically evaluate debtor and creditors. Are they interested in paying off debts in accounts receivable? They note that the creditor debt does not exceed debit debts. They also focus on the company's capital”.

Elnur Hajiyev: “As we know, loans are bank loans, and debt securities consist of bonds and other securities. We intend to own a large oil company SOCAR. However, we did not participate in the tender yet. This operation could have a positive effect on us. So, we could get interest from those bonds. But if we were dealing with issuance of securities, we could attract cash and use these funds more efficiently and get financial support. I hope we will participate in the issue of debt securities as a company.”

13) What measures should be taken to implement IFRS standards in our country?

Kamala Rzayeva: “We do not record these operations as we do. Generally in our country there are very few emission of securities in the company, unfortunately, our company still does not have this transaction. Instead, I would like to clarify the issue of warranties. We guarantee warranty when we sign a construction contract. Money is not transferred without warranty. For example, we contract $ 100,000. We need money to get started. All construction contracts have an advance payment. If the customer pays an advance payment under the contract and the bank fails to do the job, we will be able to withdraw the money from the bank if we do not repay the money. The client company always wants guarantee, so that the money does not sink. Therefore, advances and performance guarantees apply".

Ramil Mammadov: "To do so, it must be a normal tax system, a normal payment system. The audit process should be performed smoothly and transparently. When these problems are solved, and training courses for the use of IFRS standards, I think that we can achieve a broader application of IFRS standards."

Elnur Hajiyev: "I think that the law was to be toughened for the large-scale application of IFRS standards in our country, and this has already been implemented. At the same time, we simply say that tax accounting is more serious. Companies are not interested in applying international standards. However, if tax legislation requires accounting to comply with the rules and standards, we may be witnessing an increase in interest in IFRS standards. As we know, there are 4 entrepreneurship subjects: micro, small, medium and large entrepreneurship subjects. The application of standards to micro and small businesses is not realistic. However, the mandatory audit of the medium and large entrepreneurship subjects and the refusal of the audit to comply with international standards in future will reflect the fact that companies are accountable to the law. Similarly, we do not have audit-standard reporting requirements, so we only use National Accounting Standards. Because working with this standard is more convenient."

## Conclusions

Bearing in mind all mentioned above we can conclude that accounting of liabilities under International Financial Standards is extremely important for companies' accounting system.

In Azerbaijan, the transition to a market economy and its extensive form of ownership, traditional management functions in the business activities of companies, regardless of the form of ownership, will inevitably change. In such a situation, the improvement of accounting and auditing activities, as well as its adaptation to international standards, is a vital issue. The application of international accounting standards should ensure the full freedom of the enterprise to use the nature, technology and technology of production, labor and management, by enhancing the quality and effectiveness of accounting and control.

Relevant information is essential in order to streamline the responsibilities and to increase efficiency in this area. This information is based on financial statements. However, the demand for information used in the analysis of liabilities varies as a result of improved tax and accounting laws. Improvements in tax and accounting accounting require development in this area. Some of the improved accounting information derived from the National Accounting Standards are not fully implemented in the current market economy. There is very little attention to the important issue, such as assessing commitments. The application of accounting standards in enterprises is a very weak process. However, the measurement of these short-term liabilities enables the entity to make such financial resources available to the entity whenever it is necessary. Therefore, a broader application of IFRS standards should be applied.

You have already understood that the accounting of reserves, contingent liabilities and conditional assets is contradictory and in many cases they are relied on subjective judgment. Many say that IFRS 37 does not have a prudent principle, because the standard does not detect the accounting and recognition of all future cash flows. We will agree with that point of view because carefulness is not synonymous with excessive pessimism but synonym for impartiality.

**Recommendations**

1) The improvement of accounting records should be made in the direction of applying existing alternative variables and methods of accounting for this area, further enhancing accountability and informatics. This, in turn, may result in the need for reliable and accurate information and, as a result, the improvement of the entity's financial position with the purpose of managing liabilities.
2) In the event of financial tension and shortage of working capital, an entity may attempt to convert its short-term debt into long-term borrowings. In such cases, the entity has the ability to repay the current expense to the current assets. The internationally recognized standard for the entity's ability to convert short-term liabilities into long-term commitments to the entity's financial statements creates favorable conditions for their financial stability.
3) Generally, the concept of "debt-paying" does not imply the International Financial Reporting Standards for entities. As we know, IFRS determines "capital" as a difference between the entity's total assets and its liabilities. In other words, the term "capital" is understood to mean the entity's net or specific assets. Other concepts are part of our commitment.
4) The classification of liabilities reflected in the accounting and reporting do not comply with the international accounting and reporting criteria in their accounting records in IFRSs. First and foremost, the commitment is

based on the types of payments, types, and so on. there is no exact division. In our opinion, the classification of obligations should be based on different signs and, above all, the terms of their establishment and payment.

In my opinion, the above mentioned recommendation and recommendations will lead to positive outcomes in obtaining complete and complete information for the effective management of liabilities through accounting that makes it possible to determine the entity's financial position, solvency and liquidity level accurately and correctly will provide objective assessment.

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