

**MINISTRY OF EDUCATION OF THE REPUBLIC
OF AZERBAIJAN**

**ACCOUNTING AND VALUATION PROBLEMS OF
COMPANIES AND ITS DEVELOPMENT PERSPECTIVES**

Author: MAHAMMAD ALIZADA

Supervisor: TAHMASIB HUSEYNOV

UNEC SABA

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS



Baku 2019

Acknowledgements

First and foremost, I want to show my appreciation to the Ministry of Education of the Republic of Azerbaijan for providing us opportunity to get up-to-date education in English language in “SABAH” groups.

Afterwards I am striving to express my thanks to our dean PhD. Aida Guliyeva for her support and enormous encouragement during our education stage at “SABAH” groups since the start of our progress.

Subsequently I want to express my gratitude to my scientific leader Tahmasib Huseynov especially for his inducement he has showed for us whenever we needed his support, assistance and patience. Moreover, I would like to impress my thankfulness to the experts helped me – teacher *Nasimi Nuriyev*, financial director *Subhan Gasimli*, sead of subsidiaries *Vugar Hajiyevev*, chief accountant *Taghi Taghi-zada*.

Last but not least, I want to thank my family, especially my mother for her endless and infinite support for me.

Abstract

It is known that every company's main objective and purpose is making profit. There is an expectation that if an entity has a great business plan and understanding of market, this business can be successful. However, in addition to this, it should be mentioned that, besides business recognition, accounting system of any company is the one factor that is pivotal for its success.

The aim of writing this diploma work is to find out more about the valuation and accounting in our companies and to define what the core problems are and what the factors, the main reasons are for those problems. During the research, first I reviewed theoretical basis on accounting and valuation in general which includes both international and local bibliography. Afterwards, I made an effort on finding out what are the problems related this in our nation. In this part firstly I tried to determine the factors that is not proper for accounting in our companies, and subsequently I analysed these factors, and found out how those factors caused problems in accounting and valuation in our local entities.

After discussing main issues with the accounting system of our companies, I interviewed some experts from different universities and entities in Azerbaijan and used their opinions and suggestions in this diploma work.

Content

<u>Acknowledgements</u>	2
<u>Abstract</u>	3
<u>Introduction</u>	5
<u>Chapter 1. Theoretical view of accounting and valuation in companies</u>	7
1.1. <u>The core object of accounting in business management</u>	7
1.2. <u>Branches of accounting in companies</u>	10
1.3. <u>Accounting and valuation process of companies</u>	12
<u>Chapter 2. Main issues of accounting and valuation in companies</u>	28
2.1 <u>Problems of regulating an entity's accounting and valuation policies</u>	28
2.2 <u>The current situation and problems with assessment of costs and revenues</u>	35
2.3 <u>Current situation of asset and liability certification and its valuation issues</u>	37
2.4 <u>Financial results and profit analysis and evaluation issues during reporting period</u>	40
<u>Chapter 3. Current situation in Azerbaijan and recommendations by experts</u>	43
3.1 <u>Prevalent condition of accounting system in Azerbaijan</u>	44
3.2 <u>Current situation and general problems of accounting in Azerbaijan. (Expert opinions)</u>	51
3.3 <u>Issues with accounting and valuation of assets and liabilities in companies. (Expert opinions)</u>	58
3.4 <u>Accounting problems of income and expenses. Errors in reporting financial statements</u>	64
3.5 <u>Development perspectives of companies accounting and valuation system</u>	
<u>Recommendations of experts</u>	69
<u>Conclusion and suggestions</u>	71
<u>List of references</u>	73

Introduction

After gaining independence, the main problem of our country was the transfer of economy to market relations, ensuring its stable and efficient development. For this reason, serious and regular reforms have been accepted out since mid-century. Establishment and functioning of various forms of property in the economy, privatization of nationalised enterprises, land reform and its completion, attracting foreign investment, creation of appropriate economic and regulatory framework, development of economic mechanisms for market economy, etc. The measures are an integral fragment of those economic reforms. All of these, as well as close cooperation with foreign countries, firms and companies, strengthened economic integration and, as a result, increased the need to use extreme economic information in the new market mechanisms. One of such mechanisms is accounting and reporting. A number of processes have been taken to guarantee that accounting and reporting requirements are in line with international standards. The most important of these is the 2004 Law on Accounting. The adoption of this law has already created a good basis for the implementation of the IAS or IFRS in our country based on international standards.

Alignment of international standards in these or other rings of accounting in Azerbaijan is one of the main tasks of the country's accounting system. So, if we want to prepare final reports in line with international standards, we must bring it into line with its requirements before it is prepared. As we know, the main purpose of preparing monetary (financial) statements is to offer users with accurate and complete information. In this regard, both internal and exterior users are interested in the financial statements of the body, and first of all they are interested in the company's assets and their total weight.

On the other hand, it is crucial to determine the liquidity of the balance sheet when comparing the total weight of the assets with different periods for the enterprise to make correct management decisions. Fair and accurate determination of them depends on the correct valuation of assets. Considering the above, we will see the relevance and openness

of the subject. Considering the facts discussed above, we will see the relevance and openness of the subject.

The main purpose of my diploma work is to provide concrete results in the accurate assessment and accounting of assets based on the principle of accurate reflection of the main characteristic of New Accounting Standards and to reflect the scientific results based on the research.

To accomplish the above objective, a number of tasks must be fulfilled, which include:

- systematizing the views of international and local practice on asset valuation;
- Developing asset evaluation models and practices in accordance with new accounting standards;
- Reconstruction and liquidation of the enterprise on the basis of liquidation and liquidation balances

The subject of my diploma work is scientific research in the field of asset valuation and their systematization, assessment of assets based on free valuation of entrepreneurs, study of historical valuation accounting model, the basis of asset valuation based on new accounting standards, the level of compliance with the legislation in the evaluation process, and the indicators used during modelling. During the research, a number of methods were used both in local practice and in international practice.

I have also used opinions and suggestions of experts I interviewed with in my diploma work. In these interviews, current situation and all problems related to the accounting and valuation in companies in our country were touched upon.

Chapter 1. Theoretical view of accounting and valuation in companies.

1.1. The core object of accounting in business management.

The new Law of Accounting of the Republic of Azerbaijan, which is the main normative document for executives, accountants and other persons, is in force since 1995 in the settlement of all accounting and reporting issues of 29 June 2004, contrary to the 1995 law. The law opens wide paths to comply with international standards, considering that accounting is a pioneering foundation for further improvement and regulation under the market economy.

Unlike the modern era, accounting for the previous period provided the individual businessperson with the crucial material; all data was kept confidential; at that time there was no restriction between ownership and ownership; There was no understanding of the report and the period between them; The existence of the majority of currencies has made the use of binary accounting more difficult. All of them summarized the records in the registry records, especially the description of the goods (weight, measurement, unit of measurement, price).

The process of establishing a legal, democratic and secular state in our country is constantly being implemented. Much has been done about the transition of the economy from the planned economy to the market economy system. Since macroeconomics cannot enter into market relations, theoretical principles and accounting methodology should be reviewed based on current perspectives. It is not possible to apply the existing accounting methods during the management of the macroeconomic management during the administrative period.

Decision-making is pivotal for making viable choices about the successful management of commercial endeavours that are central to the economy. It can only be done when there's a fabulous information economy. In this regard, bookkeeping as one of the foremost imperative components of financial administration is vital. At the same time,

data on the budgetary and financial action of the entity in terms of advertise economy is additionally vital for outside clients. Collecting, processing and summarizing this information is performed as it were through accounting.

Accounting objectives include:

1. Complete and accurate information about the business and property of the enterprise;
2. Compliance with existing legislation and their compliance with test procedures (in accordance with norms);
3. Control of the reception of adverse conditions during the production and economic activity;

The disclosure and effective use of internal resources makes up 70 percent of ordinary information.

Foreign countries attach great importance to accounting. It's commonly said that bookkeeping is alphabet and language of business. Wide-ranging legal and methodological guidance on bookkeeping is supported by the Government of the Republic of Azerbaijan and the Ministry of Finance of the Republic of Azerbaijan. The package of preparation and application of countrywide accounting standards has been adopted between the years 2003-2007 with the aim of changeover to International Accounting Standards sanctioned by the Government of the Republic of Azerbaijan on 20 February 2003 and the transition to the stage implementation program starting from 20.03.2003.

These normative official papers include the Accounting Concept that is adopted by the methodological board of the Department of Accounting Policies of the Ministry of Finance of the Republic of Azerbaijan and covers the principles for the establishment and improvement of the book-keeping system in Azerbaijan for fifteen years.

Currently, an intensive effort is being carried out to develop the legal and methodological regulation system based on a four-fold normative-legal accounting law in Azerbaijan.

First level. In Azerbaijan, the President defines the pronouncement of the President of the Republic of Azerbaijan and the decree of the Republic of Azerbaijan, defining its accounting system and behaviour with uniform legal and methodological norms. The norms concealed by other national laws and accounting and reporting issues should be in accordance with the Republican Accounting Law.

The second level includes regulations (domestic standards) approved by the administrative authorities established by the Republic.

The third level includes a scientific document that includes methodological guidelines, guidelines, recommendations and content. Movements of this level are developed and permitted by the administrative authorities, bureaux and other bodies through the development of documents of the first and second levels. Here is an accounting plan and application instructions for the financial and economic activity of the organization.

The fourth level covers the regulation and execution of the absolute accounting of goods, debt and economic transactions. The institution hereby contains the business documents approved by itself within the scope of the accounting policies that are accepted by itself. These documents, their contents and conditions, the principle of organization and the relationship amongst them, as well as the rulebooks of preparation and approval are determined by the chairman of the organization.

In recent years, important changes, additions and explanations have been completed in the accounting system of Azerbaijan. For that reason, when preparing the accounting policy of the entity, it should be based on the new accounting plan, in particular the Accounting Law of the Republic of Azerbaijan, other Republic Law, Decisions of the

President, Decisions of the Republic Government and the instructions, orders, instructions, letters and other normative documents of the Ministry of Finance.

1.2. Branches of accounting in companies

Common legitimate and methodological direction on bookkeeping is carried out by the Government of the Republic of Azerbaijan and the Ministry of Finance of the Republic of Azerbaijan. The program of arrangement and usage of national bookkeeping benchmarks has been received between the a long time 2003-2007 with the point of move to Worldwide Accounting Standards affirmed by the Government of the Republic of Azerbaijan on 20 February 2003 and the move to the arrange usage program beginning from 20.03.2003. These standardizing archives incorporate the Accounting Concept, which is received by the methodological board of the Division of Bookkeeping Approaches of the Service of Fund of the Republic of Azerbaijan and covers the standards for the foundation and change of the bookkeeping framework in Azerbaijan for fifteen years.

With an impact of advancement in financial field, uncommonly, accounting field, distinctive branches of bookkeeping are made. Nowadays, there are a few branches of accounting: financial bookkeeping, management bookkeeping, cost accounting, taxation, project accounting, government bookkeeping, international bookkeeping, social bookkeeping, forensic bookkeeping, fiduciary bookkeeping, and at long last, auditing. Each of these branches has particular characteristics and they are utilized in certain area.

I. Financial accounting- This branch of bookkeeping consider to plan financial reports and statements based on chronicled information for the clients of monetary data. Moreover, the most objective of financial bookkeeping is giving shareholders, supervisors, government, tax specialists, representatives, costumers, speculators and other outside and inner clients with a result of money related position and performance of company. The data which is utilized within the planning of financial statements must be

pertinent, unbiased, convenient, valuable, and reasonable for peruses and based on dependable source. Saying financial position, are considered that it is assets and obligations of trade at a certain point of time and monetary performance alludes to benefits and losses of commerce for a certain period of time.

Financial accounting is required from the organizations, shareholders, proprietors, lenders, indebted individuals and etc. Financial bookkeeping is planning the statements of money related position(moreover known as balance sheet), statements of financial execution (too known as salary explanation), statement of cash flow and statements of changes in equity (this articulation is more often than not arranged inside the adjust sheet).

When planning money related statements, accountants must take after a few principles, measures and rules. Be that as it may, they are distinctive for a few districts and nations. American companies take after the recommendations of Generally Accepted Accounting Standards (moreover known as GAAP), other companies within the world extraordinarily, European corporations apply International Financial Reporting Standards, and a few companies utilize national bookkeeping in their countries.

II. Management accounting - It alludes to preparation of yearly reports based on chronicled information for making choice of inner administration uncommonly, directors. In management bookkeeping, the yearly reports are not distributed to outside bodies, it is ready for as it were inside bodies. Since they must make choice around inner purposes, such as productivity and assess future position of company.

Core purpose of management bookkeeping is giving inner users with an assessed information. It incorporates budgeting and determining, checking inner control, analysing, assessing commerce forms and so on. Reports are based on the results of deals, creating, serving, promoting, administration, conveying and others.

III. Cost accounting- this sort of accounting counting recording, analysing and showing of costs. They may be manufacturing, genuine and standard costs. Because of

fabricating businesses have complicated costing prepare, cost bookkeeping is exceptionally critical for these sort of businesses. Cost bookkeeping moreover makes a difference administration for identifying and evaluating future position approximately company around its operations.

IV. Tax accounting - Reports which are arranged for the charge purposes are exceptionally noteworthy. Tax accounting makes a difference to companies for deciding the amount it must be paid. For minimizing assess sum, charge bookkeepers are aide of companies. As we know, tax assessment portion is noteworthy when planning adjust sheet, wage explanation and articulation of cash stream. Hence, tax accounting moreover help to monetary bookkeepers to get ready articulations. In our nation, tax accountants primarily number salary charge, benefit charge, deals charge, VAT and others.

Tax accounting is grounded on laws set by charge specialists. Tax counting, arranging, charge returns planning, recognizing and minimizing pay and other charges have a place to charge accounting.

V. Government accounting - This extraordinary department of bookkeeping consider isolating and utilization of government budgets.

VI. International accounting - These days, most of companies require accountant who knows international accounting, its standards, measures and rules. This can be critical for joining world and being a prestigious company. Other than little commerce, enormous companies and property utilize universal bookkeeping in Azerbaijan.

VII. Social accounting - It is considered for deciding the impact of bookkeeping to the society. Social accounting makes a difference to accountants to recognizing social costs and benefits and the comes about of them to company.

VIII. Forensic accounting - Liquidation, misrepresentation, control of accounts and inventories are included to scientific bookkeeping. It is concerned for case handle,

investigating and issue understanding. Amid the case prepare, for can giving confirmation, bookkeepers investigate monetary confirmations and analyse them.

IX. Fiduciary accounting - Property bookkeeping, entrusted bookkeeping, additionally receivership are included to fiduciary accounting. It alludes to administration of monetary records by one individual who is saver of another person's property which is given to him for his benefit.

X. Auditing- This kind of accounting is checking money related explanations and looking at inner framework of the company. Evaluators can be internal and external.

An internal audit mechanism is essential for the successful operation of an institution and organization, for increasing profitability and for the protection and improvement of assets, which are also an indispensable element of internal audit. Wider internal audits - regular monitoring of work and organization work to assess the validity and effectiveness of management decisions made, disclosure of unfinished and inconvenient situations, timely management notification for the elimination, reduction and management of the entity and its operations; control scheme - In other words, Internal audit is a form of feedback in which the management body of the enterprise and the organization obtains necessary information about the actual situation of the facility being operated and the implementation of management decisions. In this context, internal audit, property protection, registration and validity of the property can be considered as a complex of security measures determined by the management in order to ensure that the accounting accuracy is coordinated and effectively carried out and the validity of the decisions taken.

Internal audits can be summarized as follows: internal audit is an activity regulated by the internal document issued for the benefit of the governing bodies to verify and assess the operation of the entity in order to determine the validity and effectiveness of the individual components of the internal controller system. . The modules of the internal control system are repeatedly assumed to be organizational measures, methods and

procedures implemented by the management of an economic organization for the smooth and efficient operation of economic activity.

According to the law, the relevant governing body responsible for the establishment of an internal audit service in the enterprise:

- appoint and dismiss the chief of internal audit service and internal auditors (members of the Audit Committee)
- Approves internal audit service arrangements.
- Approves internal audit plans and responsibility distribution of internal auditors
- Identifies and implements internal audit policies and strategies.
- Provides necessary conditions for audit activities
- Takes appropriate measures to eliminate deficiencies and deficiencies identified by the internal audit service.
- The internal audit takes decisions on the implementation of the proposals for the purpose specified in the service report.

According to the fourth clause of the law, internal audit services include:

- To determine the effectiveness and adequacy of the internal control system to provide regular and effective activities in the enterprise, to manage the risk to achieve the goals and to respond briefly to any changes.
- To check the accuracy and completeness of accounting and financial statements
- Assessment of spending efficiency on the farm
- To check the conformity of the activities of the structural subdivisions of the enterprises and organizations (sub-economic communities) affiliated to the entity legal entity to the normative legal procedures and the approved action plan

- Evaluate the effectiveness, the accuracy of the use of resources, the control of their use and the adequacy of protection against damage

External auditor could be an individual who checks the money related explanations, controlling its compliance with GAAP, makes choice and gives autonomous conclusion approximately the result of monetary position, execution of company. They are too, giving basic audit decently firms. In the world, there are four primary firms which have superior needs around reviewing gigantic companies and teach. These firms are PriceWaterHouseCoopers, Deloitte Touche Tomatsu, Ernst & Young and KPMG – these companies are moreover well-known as “The Big Four”.

The core obligation of outside auditors is showing audit administrations to companies which are outside the organization. Moreover, the rudimentary obligations of inner reviewers allude to company administration and its structures. Based on government rules and operation frameworks, inner evaluators survey the dangers which include threat circumstances for company. The duties of inside reviewers are driving compelling and productive operations, guaranteeing completeness and unwavering quality of money related data, protecting of resources and following to rules and laws within the understandings.

1.3. Accounting and valuation process of companies

First of all, accounting process is additionally known as accounting cycle. Accounting prepare comprise of three kind of exchanges which are utilized to enrol commerce operations. A while later, these business operations are combined within the money related statements of company. Operations are:

1. To supply repudiating operations from the past year which is reversed;
2. To carry accounting of commerce records;
3. The periodic last of process;

Because it is noted that there are three portion of bookkeeping process:

1) Beginning the process. In the starting of year, all exchanges which are recorded at past year must be checking. This guarantee that exchanges are not recorded once more within the current year. Extra, the exchanges are recorded within the bookkeeping computer program, so the reversal of them must be realize naturally. Fair in case, bookkeepers need to control this process.

2) Individual transactions. Accounting prepare is given for person exchanges as follows:

a. Deciding events which are sourced from accounting exchanges -These can be:

- a) Buying unused materials;
- b) Reimbursing long and short-term loans;
- c) Selling merchandise and services to customers;
- d) Getting cash from costumers;
- e) Paying cash to providers of materials;
- f) Paying compensation of labourers and so on.

b. Preparing archives – Continuously, there's a report concerning take put of exchange. For case, receipt from providers for buying materials, receipt from costumers and so on. This records are very noteworthy for planning budgetary statements.

c. Determining accounts – Each account is recorded within the accounting computer program such as resources, liabilities, shareholder's value, incomes and costs. Accountants must decide which accounts are recorded in this software.

d. Transaction recording – Bookkeepers got to enter exchanges within the accounting framework. It can be happens with every day passage diary and online form.

All these steps are basic for recording person exchanges within the accounting process.

3) In accounting process, entirety of steps are used for combining all data and showing money related statements.

a. Preparation of trial balance – The foremost common definition of trial balance is that it could be a plan of finishing equalizations of each account and with it understanding of trial balance gets to be less demanding. In trial balance, the whole of all charges must be break even with to the entirety of all credits. Be that as it may, charge and credit area are not rise to each other, this implies that there are a few issues and mistakes in trial balance and undoubted, they must be investigated, identified and corrected.

b. Alterations in trial balance – Altering of trial adjust alludes to redressing mistakes, making remittances and directing incomes and expenditures.

c. Preparation of adjusted trial balance – This step consider that it is a unique trial adjust also (short) all controls which are made subsequently.

d. Preparation of financial statements – The money related articulations of company are arranged premise of balanced trial balance. There are four statements: balance sheet, income statement, cash and changes in value statement.

e. closing the period – This step includes moving the equalizations from income and cost account to held profit account, being prepared for the another period.

f. Planning of post-closing trial balance – In this step, all income and cost accounts within the trial balance have zero balance.

Accounting figures is used to analyse the accomplishments of each corporation and to analyse the outcomes obtained in public, societal, economic and other fields, and to take final decisions on the issues investigated. Accounting for such a universal feature

consists of four self-determining fragments: accounting theory, financial accounting, management accounting and tax accounting.

Accounting Theory - is the knowledge that absorbs the theoretical, methodological and real-world issues and problems as a whole in the organization of the accounting system.

The well-known American academics Hendriksen and Van Breda analyze accounting theory on the financial, managerial and financial aspects of all economic and non-economic issues, both publicly and socially and economically, based on an analysis of the method of earnings calculation and are considered the main driving force of tax book-keeping. This approach is furthermore characteristic of former Anglo-American scientists. In general, book-keeping theory - the technique of calculating the profit calculation method.

In the view of Americans, any theory covering accounting records reveals some or all of these indicators. These pointers are partitioned into two bunches. The first group includes four types of accounting theory - tax, legal or legal, ethical, psychological theory.

Tax Theory states that the amount of taxable profit is the revenue of the business. Theory describes accounting as an example of a special tax law. The legal or legal theory relates the accounting procedures to non-taxable civil rights and means that the profit has the right to receive, not the acquisition of funds. Supporters of the theory of ethics think not only of complying with legal norms, but also of the accuracy of the information provided by the institution's information system.

Psychological theory includes all kinds of information presented in the accounting records by the use of its users.

The second group includes material or economic philosophy. The essayists working in this field share the theory into three groups.

The first macroeconomic theory assumes that the whole country's economy is the object of accounting and that the second microeconomic theory is the presentation of separate economic entities. The third-party social-institution theory has a number of features. Therefore, company managers should adhere to these characteristics in solving some of the social problems of the society. Supporters of this theory view accounting as an integral part of economic theory.

Each of the economic theories listed, including accounting theory, serves a purpose and is of particular importance in the development of the country.

Financial accounting reflects accounting and financial reporting, including systematic accounting of economic transactions, accounting and reporting procedures. Financial statements are used by managers and external users at different levels within the organization (investors, lenders, banks, tax and financial authorities, etc.). Financial accounting includes a large part of the accounting records that include information about an entity's properties and liabilities, intangible assets, fixed assets, leased assets, financial investments, endorsement assets and liabilities, cash flows, equity, funds and resources, earnings and losses.

Management accounting aims to collect accounting information that is used by the management of different levels of the asset and is part of future accounting. The main purpose of such a record is to provide the managers responsible for obtaining the specific production results with the necessary and complete information.

The management plan summarizes the plan, regulatory, estimation and analytical information, reflecting the accounting records, measurement and recording of the accounting records.

Information on production costs in the management system is summarized and recorded under the following items:

- types of spending (product, job and service naming);

1. To make the accounts with mutual help.

2. The accounting of the goods, debts and economic transactions of the enterprise shall be made in the currency of the Republic of Azerbaijan. Documents, registrations, registration of goods, debts and other commercial activities are compiled in Azerbaijani language.

3. Accounting policies adopted for businesses are recognized throughout the accounting period. This policy requires, as a rule, the fulfillment of the following conditions: timely execution; clear and understandable information; Content priority against the form; Presence of assumptions (synchronized account balance and the equivalent of analytical accounts on the last calendar day of each month).

4. The product provides separate book-keeping for costs accompanying with capital and monetary contributions, as well as the current costs associated with the work performed and the services provided.

5. Property in the Organization is the property of the other legal entity.

6. Accounting and reorganization or liquidation of the organization as a legal entity shall be made according to the procedure determined by the legislation of the Republic of Azerbaijan.

7. The responsibility of the accounting organization, the presentation of the accounting reports, the fulfillment of the economic activities, the observance of the legislation, the supervision of the activities with the assigned legislation shall be given to the head of the organization.

Depending on the directly above, the subsequent tasks are determined before accounting:

- To formulate accurate, necessary and accurate information for both the internal users and the business executives, founders, participants and property owners and external users for the operation and ownership of the enterprise;

- Estimating internal and external managers in accord with the norms and standards approved for the audit of the organization's compliance with the legislation on the performance of the economic activity and the suitability of the economic activity of Azerbaijan;

- To inform in due time the negative events that may transpire in the financial and economic undertakings of the organization, to determine the local and economic resources in the organization and to focus on the necessary economic activities;

- Support and promote competitiveness to maximize profits in the market.

In recent years, the concept of accounting principles in accounting literature is common.

Principle - accounting, as a science, reflects the pioneering, outflow and fundamental provisions of the economic development of the economy.

In our view, the basic principles of accounting may include:

The principle of autonomy requires an organization to operate as a single independent legal entity. The ownership of such legal entities shall be strictly separated from the properties of entrepreneurs, employees and other organizations. Accounting information includes a single system that fulfills its obligations with respect to the disposal of a certain property, liability and economic activities during the period in which an entity operates. The accounting elements that do not affect the economic process are already taken as an element of the book-keeping system and have not been reflected. However, the goods held by an entity are reflected in the accounting and balance sheet.

A double-written policy - uses a double-entry account to register economic events and transactions that occur in an organization at the same rate as a debt account, and the other account is replicated.

The impressive principle of the organization. In accordance with the procedure specified, mortgage, financial and other customers are expected to pay the debts and gain normal business and market priority. This principle creates the opportunity to coordinate the assets and future benefits of the enterprise with it. This principle is particularly important in assessing the entity's assets and liabilities.

The principle of objectivity (recording) envisages that the economic transactions are reflected in the accounting endor, that is, their transactions are recorded throughout the accounting period.

The principle of calculation (the conditions of farm activities) involves the reflection of all transactions at the time that they are paid and the period in which they belong. This policy can be divided into:

The revenue accounting policy is usually reflected when received, but is not reflected in the payment. The sale of goods in the Republic of Azerbaijan is determined during the loading and payment. The international standard stipulates that the sale, delivery, and receipt of the money shall be recorded immediately by the seller or agent.

Eligibility policy - the income of the reporting period should be related to the cost of receipt. In this case, the income (expenses) for the period is recorded separately from the expenses (revenues) of the related period.

The principle of continuity is based on a recalculated balance sheet re-summarization - annual, semi-annual, quarterly and monthly balance sheet and reporting arrangements. The principle is based on the comparability of the reporting data and the calculation of the financial result over a period of time.

Privacy policy -The content of inner accounting figures is considered to be the trade secrets of the organization. The responsibility for dissemination of information and the damages that will cause them shall be regulated by the relevant legislation.

Principle of money size. As a unit of measurement in the measurement and calculation of all events and production processes of economic activity, this is the principle of measurement, ie the currency of the country.

All accounting codes are the rudimentary accounting concept that sets the conditions for the preparation of standards.

In business accounting should be organized in such a way that it cannot only provide information about its work, but can also be controlled on the fulfillment of its properties and plans. An efficient accounting organization provides a high level of performance with less labor and funds. The following conditions must be fulfilled:

- know the production characteristics of the enterprise;
- Accurate identification of the volume and characteristics of the required accounting data;
- Review of existing laws and procedures relating to accounting and reporting;
- Accurate distribution of the accounting function between the specific operational records of the enterprise.

It is not possible to record and provide management information without the production knowledge of the enterprise. It is not possible to plan accounting activities correctly without determining the amount and quality of the required accounting data. It is not possible to make accounting in accordance with the content and requirements of these normative laws without knowing the legal documents well.

Accounting in business can be organized in two ways, both centralized and non-centralized.

Large enterprises and businesses with independent companies and affiliates use a decentralized form of accounting. In this case, each unit will have a special accounting. The consolidated (consolidated) workplace statement is compiled. If the unit does not have full economic independence, only the production or production costs and costs are taken into account. The accounting for financial transactions and production operations is maintained at the headquarters. Centralized or small businesses have centralized accounting. However, in this case, a separate department or group, separate from accounting or general accounting, is created as an independent single accounting unit.

The accounting department (department) is considered as an independent structural subdivision of the enterprise. Chief accountant is the director of the accounting department. The accounting records for the business are made by the accounting personnel and are based on the calendar approved by the head of the business. The chief accountant is subject to business management in terms of administrative and accounting methodology and is under the authority of the company. The Chief Accountant shall fulfill the following duties:

1. Effective accounting organization in enterprises and application of advanced forms and accounting methods;
2. to record, document and reflect on its assets, origins and economic processes in a timely manner;
3. Timely and accurate accounting costs and costs of products, work and services;
4. Timely calculation of financial results and control over the use of disadvantages;
5. Receipt of debts on time and control of creditors' repayment of debts;
6. control of appropriate cash and goods expenditure;
7. Supervision on the implementation of heavy sanctions.

Regardless of their commitment and ownership, each institution must maintain legitimate accounting and act without it. The main reason for this is book-keeping records, all the goods and monetary positions of the organization, especially material, labour and financial resources, investment and credit policy outputs, production costs and efficiency, and providing full information, controlling farm management and monitoring the performance of the project and developing possible plans for production development. Therefore, we can say that accounting is an essential fragment of the organization's management and information system formation.

Accounting figure is an important tool for both internal and external supervision and financial decisions. At the same time, it accomplishes the most essential function such as data, planning, control, protection and analysis.

It provides timely and timely information about the financial and economic activity of the organization in order to take an information-based management decision.

Planning (assignment) - refers to the order of the movement process. It involves searching for the purpose of the task, the ways to implement it, and the choice of the most appropriate variable to solve this problem. As a rule, it is not possible to plan the present and future periods without disclosing future cash flows and cash flows.

It includes the progression of determining the concrete fulfilment of the control-plan (task). To perform this operation, it is used to compare actual cost and income plan (task). The situation and ownership of the organization, the execution of debts and economic activities etc. In order to identify intra-departmental resources, control control over the negative aspects of economic activity is carried out. Internal controls in organizations: pre-existing (before economic activities); Current (on transaction date); The latter is distributed into the control (after the procedure). Outside financial controller is carried out by investors, lenders, settlement rooms, banks, treasury checks, examination and tax consultants.

Protection comprises recording all aspects of the entity's tangible assets, cash assets and property rights, as well as the use of the disclosed account plan (employee plan). This function guarantees the timing of registration and the impartiality of accounting records.

Analysis - covers the procedure of regular criticism of decisions taken. Here, it is indispensable to conclude the degree of opinion that prevents the operation of the management system. In the absence of this objective, the reasons for not fulfilling the plan (task) are examined in detail in the areas of particular purpose, control and failure to meet the objective.

Currently, internal and external users use accounting information in economic practice.

Internal users are employees, administrators, and administrators on the management device that use the information necessary to manage the business process by planning, controlling and operating the business process.

External users are external consumers who use the information either directly or through their financial interests. It is distributed into the following collections:

- persons (shareholders, investors, lenders, buyers, etc.) who are not interested in organizations but are interested in their active activities;
- Only those who have financial interests in direct involvement in the organization's commercial activities - tax services, government agencies, various financial institutions and stock market participants (insurance companies, brokers, brokers, etc.);
- Non-financial persons other than joint ventures: Audit firms, statistical institutions, etc.

Quality and useful accounting information is important for the listed users. It is characterized by its usefulness, validity and reliability in the United States.

The significance of figures in economic movement is determined by determining the ability to influence this or any other accepted management decision. Aspects determining the value of knowledge are:

- On-time delivery - timely users should be informed. Information that is not timely provides the prospect to study about the real condition of the organization;
- Achieving estimates - opens up a wide range of ways to reflect the direction of development of the organization;
- Lack of feedback with figures sources - ensures the implementation of the operative management decision.

Chapter 2. Main issues of accounting and valuation in companies.

2.1 Problems of regulating an entity's accounting and valuation policies.

As one of the most important tasks facing the market in the market economy, it is necessary to determine how to evaluate the amount of assets and the value loss in terms of value. Some features that are valuable in the field of valuable service attract attention. Since fixed assets operate for a long period of time, there are different rules for valuation of bookkeeping. Most commonly used accounting and statistical analysis methods:

The main method involves evaluating the initial cost of fixed assets. The primary value of fixed assets should be understood as the actual value of their commissioning. This value includes the total amount of actual costs incurred during the acquisition of fixed or fixed assets. The initial measurement of fixed assets does not result in any change in accounting during the entire operating period in the entity. Based on the related documents, fixed assets are recorded at full cost in the balance sheet and various types of reports are reflected in the future. After deducting the depreciation amount, the original cost of a fixed asset is a part of its value that essentially holds fixed assets after a period of inactivity. In most cases, this type of evaluation evaluates the residual value of the underlying assets. The residual value is the amount of the fixed asset's cost after deducting the difference in the depreciation amount. If the property used as a result of amortization or amortization is used as scrap metal, the estimated selling price of the same crude is considered the disposal cost. The full recovery value means that the cost of returning to its country must be understood in modern conditions, in other words, when the value is determined. As a result of market relations and other factors, the full recovery of fixed assets may change over time.

In addition to the inventory of fixed assets, it is considered to be highly complex and costly statistical procedures as well as revaluations. To have the latest inventory of the old alliance, it is enough to note that more than 170 special books and price lists have been prepared and about 123 million fixed assets have been re-evaluated. Throughout the years

of complexity and overwork, the USSR, including the Azerbaijani SSR, has invented and re-invented many stocks for several years.

It is very important to determine the amount of revaluation and depreciation. To obtain the correct and complete indicators of restoration and residual values necessary to further improve the structure, planning and accounting of fixed assets, and to create the same conditions for the economic enterprises to produce production costs, the size of fixed capital and to produce economic incentive funds. Comparison of fixed assets provides timely compensation, protection and good use.

Statistical and analytical calculations are used to mechanize fixed assets. These include transactions that reflect cash flows, classifications, groups, inventory items, redemption norms, and keywords that are common to other accounting areas, including passwords, branches, inventory, and cost items.

During the audit, the type of accounting used in the entity must be determined. It should be noted that the form used is determined by the entity itself. An accountant should be aware of the rules for recording all transactions in the accounting records. An accountant should also be aware of the fact that it is the basis for accounting for all economic transactions linked to the entity's property, debts, capital, existing assets, and overall economic and financial performance, cash, absence, fully documented and linked to the accounting records.

The information included in the first accounting documents and which should be reflected in the accounting records is collected and systematized in the accounting records recommended by the Ministry of Finance of the Republic of Azerbaijan or carried out in accordance with the general principles by the ministries and general administrations. The accountant explains the accounting of the economic transactions in the company accurately, accurately and accurately. Determining the performance of these problems and the performance of the audit is based on the following reasons:

- disregard the functional responsibilities of business accounting personnel;
- Inconsistency between each accounting officer and the specific task division and the accounting schedule;
- Inability to determine the accounting period to carry out the accounting transactions;
- lack of control over the movement and uses of existing property;
- lack of control over the application of accounting principles and standards;
- Non-conversion of operating property at specific times, results, documentation and comparison of results with accounting records
- The bookkeeping organization does not respond to the maintenance of the existing property and does not take measures to prevent property and money laundering;
- is not in accordance with the accounting records of the indicators reflected in the annual accounting (financial) report collected

When dealing with the accounting organization in the company, an accountant should be familiar with the work of internal control services and identify the work done and identified deficiencies. The head of the business is responsible for the accounting organization according to the current legislation. The manager of the entity creates the necessary conditions for the appropriate accounting records, ensures compliance with the timely and accurate records and records prepared by the service personnel and complies with the requirements of the accounting regulatory documents.

The chief accountant of the entity oversees compliance with general accounting principles in accordance with all accounting standards and accounting records. In the audit of the accounting records, the entity may also use the test audit form of an accountant to determine whether the economic and financial performance of the accounting records is correct, accurate and reliable. In recent years, this form has been applied to inspections in

several countries. The meaning of this form is that the auditor prepares questions in accordance with the purpose of the audit prior to the start of the audit and collects these questions between the accounting personnel, the management, the head of the department and collects the answers in some way. The main purpose is to eliminate deficiencies.

The submission of the accounting books to other addresses shall be made in the documents or in the legislation of the Republic of Azerbaijan. The auditor should pay particular attention to the fulfillment of the requirements of the Accounting Law of the Republic of Azerbaijan when conducting the financial (financial) audit. Failure to comply with requirements leads to problems of accounting and policy regulation of the enterprise. The reasons for these problems are shown below:

1. In the case of double-entry transactions in mutual accounts in accordance with accounting records and other regulatory documents, when the entity does not realize the property, liabilities and all transactions in accordance with the accounting principles of the Law.

2. If the accounting is not reflected in the accounting for separate economic activities during the reporting period, the accounting policies adopted in accordance with the economic conditions and the requirements of the accounting standards and other regulatory documents prepared in accordance with the law are not met during the valuation of the property. Where changes in accounting policies are not disclosed in the accounting report.

3. In the reporting period (month, quarter, year), the inventory of property, debt, equity, housing and other securities is not fully and accurately reflected in the accounting records. In case of wrong, all economic transactions should be recorded in chronological registration.

4. Income and expenses are not recognized correctly in the reporting period. When the actual allocation of costs (production) and equity allocations is not honest. If one of

each month is confronted with the data of analytical accounting accounts, their equity and accuracy are not determined.

5. The main purpose of accounting is to provide a compilation of business (financial) by financial, banking, tax authorities, investors, mortgages, financial institutions, creditors, public authorities and other related parties and entities. The necessary information on economic processes and financial and economic activity has not been fully established and has not been properly established. Preventing financial and economic activities in a timely manner means identifying and mobilizing internal resources.

6. The head of the business is responsible for the accounting organization in the enterprise. If the head of an undertaking does not meet the requirements for appropriate accounting records, failing to comply with all reporting requirements, timely and preconditioning of accounting documents and information prepared by service personnel and non-compliance with the requirements of regulatory reporting documents.

7. Accounting, accounting organization, accounting policy, internal accounting report, inventory rules, valuation methods of assets and liabilities and so on. internal orders, decisions, rules etc. do not prepare. At the same time, it does not define the form of organizational accounting, the rules of circulation of documents and the technology of accounting information; It does not specify.

8. The chief accountant manages the business accounting service. The chief accountant and the chief accountant should ensure that all economic transactions carried out by the entity, together with other departments and service areas, are reflected in accounting records, control, operational information, collection and presentation of accounting (financial) reports in a certain period. If it does not provide an economic analysis of the financial and economic activities of the entity in accounting and reporting for its disclosure and mobilization. The auditor program does not provide the opportunity

to assess the validity and validity of the accounting (financial) report in case the entity's economic and financial activities are not audited.

The chief accountant should check the fair value of the balance sheet items and determine whether the balance is consistent with the balance sheet financial performance, equity movement, cash flows and other statements. The auditor should then consider the information in analytical and synthetic accounts and the compliance of these statements with the indicators reflected in the reporting forms. While checking the annual reports, quarterly reports should be checked and their suitability determined. It should be noted that quarterly bookkeeping account content and content may differ from the annual report. In this case, the auditor should use quarterly and annual reports.

During the policy-making policy, economic business seeks to formulate policies that will enable them to achieve the best results. Before choosing accounting policies, the following analytical studies should be carried out:

- Analysis of the current financial position of the entity;
- Analysis of changes in existing legislation and other legal arrangements affecting one or the other aspect of the entity's accounting policy;
- Assessing the business strategy and development perspective in the next fiscal year;
- Identify the main objectives that accounting policy can provide;
- Analysis of existing methods and accounting methods and concrete evaluation of the effectiveness of their practices in agriculture;
- Identify more efficient accounting methods that contribute to achieving the strategic objectives of the business, including increasing financial stability;
- Determination of problematic issues related to accounting. During the audit, the auditor should be responsible for ensuring that the accounting policy is consistent with the current legislation and applied to all structural subdivisions.

When creating a policy, the following precise requirements should be expected:

- Integrity of projecting all economic facts into primary documents and accounting records;
- The legality of the methods and methods of conducting the accounting for the enterprise, the compliance of the accounting records of the economic activities with the current legislation;
- Lack of analytical and synthetic accounting data;
- Advantage of content in the form of recording business activity records;
- Integrity - fair interim and final outcome of financial activities;
- Efficiency - rational and efficient accounting, depending on the conditions of economic activity. It is important to note that the entity's accounting policies must cover all aspects of the accounting process, including methodological and institutional considerations.

Methodological characteristics - specific methods and methods chosen by the business for accounting records; corporate technical direction accounting service creation system, accounting records and controls processing technology, accounting information. The auditor checks the validity of the accounting policy. The entity's accounting policy is approved at the beginning of the new reporting year. It may be formalized in accordance with an accounting policy rule or the order of the chief operating officer.

2.2 The current situation and problems with assessment of costs and revenues

The manufacturing process is the basis of the activity of each enterprise. With regard to the implementation of this process, the enterprise spends its material, labor and financial resources at the disposal of the product, creating the cost (work or service) of the product. The total cost of production is the cost of the product. As an indicator that

determines the production efficiency, all costs arising in the production and sale of the product are determined by the cost value.

Therefore, it is very important to record production costs and calculate product cost efficiency at a high level.

The following factors are used in the cost analysis and planning of the enterprise:

- Production cost estimate (cost per cost)
- Calculation of unit value of product unit for all bureaucracy
- The cost of the commodity
- Orders to reduce the cost of the commodity product and the cost of the commodity product per 1 manat.

The cost estimate shows the total cost of the enterprise to execute the production program. Production costs are calculated by cost items, but they cannot provide information about cost trends, although they allow the determination of the value of the general and commodity products. The expense aspect is done by a soldier. The calculation of the unit cost of a product unit means the allocation of costs incurred by the enterprise for the production and sale of a particular product unit. The analysis of the product cost of the product by calculating the items reflects the cost assignments and their relations with the technological process. The accumulation of such expenses is used to determine the costs and origins of the individual species of products produced.

As the calculation items are calculated on the basis of the location of the costs and calculated on the basis of separate product units, they are of great importance in the design of concrete and targeted measures to determine the cost of the product. Depending on the nature of the production process, the cost of the operation is recorded in transaction, order and mixed form. Transaction accounting costs are mainly used in mass production of

products. The calculation of product cost using this method goes through the following main stages:

- Calculation of volume in natural expression
- Definition of output volumes in conventional units
- Calculation of costs for gross product production
- Determination of the cost value of a conventional product unit
- Year-end, cost distribution between finished products (or semi-finished products) and finished production.

Most businesses use a combination method that reflects both the cost of the transaction and the cost of the order value. In this case, some expense items are calculated on the basis of the entity and distributed among the past products. Some expense items refer to specific product types, such as order orders.

Revenue is acknowledged in profit or loss when the upcoming economic benefits flow to the entity and the value can be restrained dependably.

Income and expenses related to acquisition are accounted for using the calculation method.

Revenue reflects the overall income of the economic benefits that are included in or included in the profit of the entity. Funds collected on behalf of a third party are not considered to provide economic benefits to the entity and there is no increase in equity. Therefore, these amounts are not recognized in profit or loss and are not recognized in equity.

Profits from sale of goods is acknowledged when the subsequent conditions are met:

- When the body significantly transfers the risks and payments of ownership to the buyer;

- When it is not desired to control the ownership of an enterprise and is not controlled on the goods sold;
- When income can be estimated reliably;
- If the economic benefits connected with the transaction are likely to enter the entity;
- Estimated future and future costs are likely to be measured reliably.

Income is the amount of economic benefits that are entered or entered into the enterprise only. Funds deducted on behalf of the third party are not considered as the economic advantage of the entity. This does not lead to an increase in equity. For the above reasons, the inclusion of such funds in the entity is deducted from income and recognized in profit or loss and equity. In some cases, the amount of revenue generated during the transaction is determined on the basis of the agreement between the purchaser or the entity of the entity. This gain is valued by the entity at the fair value of the acquisition or from the acquisition resulting from the sale of the asset. Currently, all sales transactions are taken into account. This substitution may be in the form of cash or cash equivalents, non-cash assets or the entity's diminishing obligation.

2.3. Current situation of asset and liability certification and its valuation issues

Enterprises enter fixed assets according to AV-I. This movement is prepared when any fixed asset is generated. It should be noted that writing for each fixed asset is important. Farm inventory, tools, machine tools and so on. If the same type is the same at the same time, the general action can be drawn for several objects. The adoption of various facilities requires special action. In this case, there is no need to perform a typical motion with AV-I.

Fixed assets in some enterprises were previously exploited. For the cash flows of such fixed assets, the value of the impairment is based on the data of the transferred documents. In this process, technical documentation (such as a bench, building or passport, etc.) has been added to this object. An action prepared and signed by the

members of the Commission shall be accompanied by other technical documentation for the purchase of the item.

Based on these documents for accountants, it opens an appropriate inventory card (analytical accounting records) and presents an entity-specific number specified in the acceptance law. Each inventory object opens separately. If the object is included in some accessories and items, the card must also include a list of these parts. If the values are placed in the same shop at the same time and sold at the same time, a kind of home inventory is allowed to design an inventory card in the form of a group of halva EV-7. Regardless, an object-specific inventory number is assigned. This documentation procedure allows monitoring of internal displacement and withdrawal of the object. For leased objects, a tenant company needs an inventory card opening. It is possible to use a copy of an inventory card, such as analytical accounting records for such facilities.

Companies also purchase fixed assets through payment from co-operative organizations. According to the current legislation, the purchase of such fixed assets can be carried out for a long period of time up to five years. Payment must be made in quarters with equal shares starting from the actual transfer date. Cooperative organizations may include new fixed assets or fixed assets. In accordance with the current legislation, the entity's debt is payable from the proceeds of finance or from the revenues of revenues and special purpose funds. It should be kept in mind that the principal receivables obtained from cooperative enterprises are reflected in the equity balance depending on the sources of payment.

The fulfilment of the fixed assets in the enterprises and the supply can be made at the expense of the state bank loan. To this end, loans should aim to implement new techniques, improve technical improvement and improve business organization. These loans are usually granted for a period of six years. Based on investment and capital investments of the real estates, construction of new buildings is made at the cost of depreciation discounts for the full recovery of profits and fixed assets for the

reconstruction and expansion of existing enterprises. As market relations develop and deepen, businesses can strengthen their production bases, adopt new trends, and do things like that. use the fixed assets for the purpose of renting. Lease relations between businesses are currently engaged in economic activities.

Depending on the length of the rental period, the following types are used:

1. Long-term lease - more than three years;
2. Medium term rental - up to 3 years from a year.
3. Short term lease term is considered as one year.

Depending on the property conditions, rent is divided into two parts:

- a) Finance financed;
- b) Current leasing.

As a result of leasing, the lessor must have an appropriate lease. The rent price is calculated from the moment the contract is signed and paid in equal parts. The current lease of the property is provided to meet the temporary need of the lessor for some fixed assets. Residential buildings, industrial buildings etc. fixed assets are considered as available rental facilities. In this case, the ownership right belongs to the tenant. When we consider the accounting for the transportation of various types of tangible assets, we can see that the assets held in the balance sheet of the lessee are recorded separately together with the fixed assets.

2.4 Financial results and profit analysis and evaluation issues during reporting period

Increasing the role of profit in transition to free market economy is the main driving force of enterprises and the economic interests of the state. The economic interests of enterprises are directly based on earnings and form the basis of their economic and social development.

For all indicators, the main task in controlling the issues related to the formulation and implementation of the financial results of the economic and financial transactions of the business is to determine the correct task and to calculate the payments to be made to the state budget in accordance with the current legislation. Please note, however, that the profit is allocated correctly, that funds are generated, the dividends paid and the other indicators identified.

For the reporting period, the final financial outcomes (profit or loss) of individual entities include the value-added tax, including the price of the good and other commodity values (cash, non-financial assets, etc.). taxes, taxes, deductions and expenses incurred. In the calculation of the profits of the enterprises which are involved in the export transaction, the tariffs (business, service) exported from the product shall be deducted.

Inputs from non-sales dealings should also be taken into account when calculating the final financial results. While reflecting the cash flows obtained from the sale (business, service), the timing should be decided in the accounting policies of the enterprise. Therefore, the cash flows from the product line determine the date of receipt of the payment documents or the value of the downloaded product (business, service) according to the business account account. It should also be noted that the form must be used in the same way as the forms used for several years. I also remember that the first type of accounting has been implemented in international accounting standards and is now widely used in the world's leading developed countries.

There is no need for auditors to be interested in auditing and there is a serious need to identify any shortcomings or omissions in this affection. It is pivotal to identify, eliminate and correct errors for the business of the business. It should be noted that in the event of an error in the audit period, the profitability of the company and other conditions are determined by the tax inspectors, which lead to large amounts of fines and other violations of the legislation.

In connection with the above, the auditor shall pay particular attention to:

- Determination of cash flows from profit and product sales and services provided from the calculation of advance payments to the budget;
- An order or decree to determine the amount of revenue from the sale of the product (business, service) in the entity's accounting policy;
- Correctly reflecting the actual profit of product sales to the accounting records;
- The validity and validity of the creation of the non-flexible debt borrower fund. These loans are determined at the end of the reporting year. These loans include unpaid receivables in the period specified, and the repayment is hopeless;
- Correct calculation of profit from the sale of fixed assets and other properties of the entity;
- To accurately reflect the inputs from the sales of goods related to foreign economic activity. In this context, the foreign currency sold by the entity must be reflected in the "Sales of Other Assets" account;
- Accurate representation of trade expenses in accounting records. At the same time, to determine whether the costs incurred in the ğ Commercial Expenses öden account have been reimbursed, but are reimbursed by the buyer;
- Incorrectly reflect the outcome of fixed assets and other assets to another entity. Under the current rules, losses arising from the transfer of fixed assets and other assets to another entity shall be deducted from the profit of the entity.
- the correct reflection of the connections to the analytical and synthetic accounts of "Profit and Loss", "Estimated Reserves", "Profit Use", "Non-Distributable Profits" (Unpaid Claims) to the accounting records;

- Failure to comply with contractual arrangements with the Parties and, in some cases, not to reflect the gains (losses) in the recognition of damages and penalties incurred by the entity.

Chapter 3. Current situation in Azerbaijan and recommendations by experts.

Till this chapter, general situation and problems were mentioned and discussed in accounting system of companies. In this chapter, current condition of accounting in the companies of Azerbaijan is going to be talked about.

First, the pros and cons of accounting system of entities will be considered by me in Azerbaijan. Afterwards, opinions and recommendation of the experts I interviewed will be mentioned. I interviewed with *Nasimi Nuriyev* – a teacher in “Economics and Business Administration” department in UNEC, *Subhan Gasimli* – Financial Director and Member of Supervisory board (Group CFO) of SINTEKS LLC, *Vugar Hajiyeu* – Head of Subsidiaries of AZERCONNENCT and *Taghi Taghi-zada* – Chief accountant of SSI Retail LLC. They answered questiones which is mentioned below:

- 1) What do you think about the accounting systems in companies in Azerbaijan?
- 2) What are the most common mistakes made by companies during accounting policies?
- 3) What is the main problem in the evaluation of fixed assets in companies? What is the main grounds for these complications?
- 4) What are the main problems when assets are registered? What are the main reasons for this?
- 5) What are the main problems in accounting of liabilities? What are the main reasons for this?
- 6) What are the main problems during the cost calculation and the reasons for formation?
- 7) What are the main problems when calculating income? What are the main reasons for this?

- 8) What are the problems when designing the profit or loss table?
- 9) What are the main errors in the financial statement design?
- 10) What improvements do you recommend to companies in accounting and evaluation shortcomings?

3.1 Prevalent condition of accounting system in Azerbaijan.

In reality, the accounting standards in Azerbaijan are comparable to international measures, but there is a contrast between them. In reality, I saw all the data about the past accounting. Concurring to national accounting records, bookkeepers utilize the account arrange. The two chart of accounts have been utilized since the Soviet Union, but the three-digit arrange is as of now near to universal bookkeeping standards. In Azerbaijan, tax bookkeeping is commonly used by accountants in conjunction with accounting. The monetary result appears the benefit of the company. The financial result of financial action is caught on. All income organizations are an imperative marker of the team's exercises. The financial comes about of the Company are the generation and money related exercises of a proper period according to the alter in capital.

Companies are within the shape of profit or loss in commerce exercises to get reflected financial comes about. They incorporate items- property, lands, building and gear, fabric wealth, intangible resources and etc. budgetary comes about of deals as well as the sum of incomes on exercises. Balance profit implies the use – land, building, equipment, property, non-material and other resources the whole of deals continues and the deal of off-balance sheet things benefit and misfortune is caught on. In this case, the benefits from the deal of merchandise from the deal cost and deals and the costs of these items are commercial cost and value-added assess is characterized as the contrast. Reserves gotten from the deal of products or esteem sum paid or sending and budgetary arrangement archives calculated. Item deals reserves the strategy of characterizing cultivating by the organization for a few a long time and subject to the terms of the

concluded contracts. Arrive, buildings and supplies, too thickness and frequently worn things and ignored benefit from the deal of resources, send out costs and their esteem as well as their remaining values the contrast between the pertinent expenses and the value-added charge.

Gains emerging from the deal of merchandise and other resources stores from the deal and acquisition of these resources. The contrast between the costs of deals and the esteem included assess is determined. Major of balance profit of items, works and administrations deals incomes. Commercial organizations by other deals and non-sales exchanges decreases the balance of wage. Remaining benefit at the enterprise's transfer, adjust the contrast between the benefit and the charge instalments made on its account makes it. The required benefit remains at the at the transfer of undertaking and instalment of labour save support for open needs, save support, the other party in which the substance can give counsel on the premise of the shopper finance and establishment records and the foundation of uncommon funds. The expected profit or misfortune articulation is additionally utilized. Its endeavour to get a wander is of intrigued to the venture, collective ventures, expanded efficiency and work to energize them to do so.

The law "On Enterprises within the Republic of Azerbaijan" states that the core targets of the undertaking are financial exercises pointed at the procurement of benefit to guarantee the social and financial interface of the property proprietors and labor collectives of undertakings. On the other hand, it ought to be famous that, in conditions of advertise relations, the movement of ventures with free financial subjects appears itself as entrepreneurial action and its rudimentary reason is to create profit. In conditions of advertise relations productivity of enterprises' financial action is considered an imperative financial pointer.

Benefit as a financial category generalized comes about of farming, livelihood and labour costs productivity. Profitability of undertaking within the circumstances of market economy and bases on two critical functions:

1. The ultimate money related result of the company's operations is its collection volume.

2. Benefit on the generation and social improvement of the endeavor is the most source of funding

One of the greatest issues in the accounting system is the difference amongst financial book-keeping and tax accounting. In most of the countries in the world, financial and tax accounting issues are regulated separately by legislation. However, both of these areas are always compatible. Thus, when we look at the tax accounting legislation of any country, we see that there are financial accounting requirements. Long term assets, immaterial assets, balance sheet assessment, depreciation, income, expense, profit and so on. It contains. The importance of financial accounting in tax accounting is that it enables the acquisition of extensive information about turnover, profit and other indicators of the company. However, tax accounting principles, objectives and indicators are determined by tax legislation.

Comparable and diverse viewpoints of financial and tax accounting are detected. The main contrast of tax bookkeeping from financial accounting is that tax bookkeeping system are decided by the assess payer. The comparable viewpoints of financial and tax bookkeeping are as takes after:

- The prerequisites of accounting standards are directed and managed by legislation.
- Indicators are measured by currency
- Has the same accounting unit
- Prearrangement of financial statements
- Documentation is essential and mandatory
- Expression data is for both internal and outside clients

Most commonly, two fundamental model of financial and tax bookkeeping is connected. The primary demonstration are called Europe model. In the event that the nation sets up its bookkeeping system based on Europe show, this country's financial and tax bookkeeping are not separated. Concurring to Europe model, financial bookkeeping moreover carries out monetary obligations. Europe model is made within the Russia. One of the essential highlights of this model is that budgetary statements are arranged for the reason of charge specialists.

The second demonstration is English model. Concurring to this show, it moderates distinctive system of financial and tax accounting. The conception of moment demonstrate is made within the Great Britain. The pith of English model is that adjust profit which is decided with money related accounting are diverse from benefit which is decided with tax bookkeeping. USA, Incredible Britain, Canada, Holland and other nations utilize this demonstrate.

The accounting system connected in Azerbaijan are more consistent to English model. So that, based on bookkeeping rules calculating balance profit is distinctive from benefit which is decided agreeing to tax legislation. The reason of making this contrast is related to "About the profit tax of company and organizations" Azerbaijan Law. Despite all this data, the contrast between monetary and tax bookkeeping serves the monetary purposes of state, conjointly allow tax payers to require twofold accounting and increment the costs. That's why this issue must be examined and found unused solutions.

For tackling the problem of distinction between financial and tax accounting, agreeing to the title, it must expel and they got to be the same. In this case, "Black accounting" is evacuated and all forms in accounting gotten to be straightforward. The moment one issues in accounting of Azerbaijan is that ERP- enterprise resource planning isn't utilized broadly. A few organizations like Pasha Holding, Deloitte, EY Azerbaijan utilized ERP in their framework. But most of companies, uncommonly constrained risk companies utilize 1C program. This software package comes from "The Soviet Union".

Restricted risk companies records all their data on this program. That's why, it is difficult to alter accounting program to them. Be that as it may, on the off chance that the constrained obligation companies in Azerbaijan can alter their accounting framework to ERP, it affects all the accounting framework of nation. Since, nowadays accounting framework of Azerbaijan isn't sufficient level programmed.

The way of making better accounting framework in Azerbaijan and understanding all issues depend on altering accounting computer program. But what is ERP framework?

- Enterprise resource framework is the method that company utilize it to oversee and organize its basic parts. ERP framework comprises of arranging, programming, deals, buys, showcasing, back, stock and other branches. ERP is the software package and companies which apply endeavor resource arranging, plan their claim enormous computer program for making a difference purposes.

Within the ERP system, each division within the company has its own computer program, but it can interface other department's software easily. ERP performs as the rudimentary framework within the organization. Each data is entered in framework at a convenient premise by clients. Moreover each clients can connect the framework with the claim account at any time. The first ERP framework is SAP program which is made by three software engineer within the Germany. Primary reason of SAP program is making a difference to companies to organize their trade data within the one system.

A few companies in Azerbaijan do not need to alter their frameworks to ERP. They think that their ancient programs is more valuable than ERP and it has much more costs. Really, in our nation, most of restricted obligation companies favor to software which is known as 1C. They involve their all data to this software already and it is difficult to them to alter program. But entities must know that changing their framework to ERP framework, they can diminish expenditures. Because of entities do not need to alter their frameworks, ERP system cannot improve in Azerbaijan. ERP could be a brief arranging and programming for entities, but this definition isn't highlighted totally. ERP can be

utilized in most of divisions in companies, uncommonly, promoting, management, accounting, human resources, orders etc. Getting into the ERP framework, it is conceivable that to urge any data almost forms, in turn, it makes accomplishing information simple. Particularly, bookkeeping and sales offices have to be utilize ERP framework.

For making better the accounting framework and tackling issues in bookkeeping branches in Azerbaijan, limited liability companies must to slip by to ERP framework and robotize of bookkeeping process. Another issue in bookkeeping framework of Azerbaijan is around trade plan. Business plan- comprises of presentation and another two portion. Within the to begin with part- description of commerce, within the second portion-depiction of fund is given. Whereas planning back portion, it is important that preparing must be based on the primary portion.

Within the back portion, possessors have to be compelled to display the sum that they ought to realize their trade plan, at that point, holders need to see what sum they got to this work and in there, they must to take note what sum that they take credits from leasers, banks or financial specialists. On the other hand, supplies, machines and others are displayed as fund assets. All these things treat as resources of fund arrange, in turn, it is the basis of trade plan.

In this circumstance, building of bookkeeping is exceptionally pivotal issue, because the long run of company can be depends on it. In bookkeeping department of each company, the reports of inner control, financial articulations and assess reports are arranged. Accounting divisions is critical for company, since it can get benefits and misfortunes in here. By implies of accounting, companies can obtain data about their contemporary financial position and execution, moreover decide the steps which they got to do within the long-run. At this moment in time , in Azerbaijan, the international accounting standards are connected, in this manner, talented work force, specialists and masters are compulsory.

Since incredible part of accountants works with ancient bookkeeping ways. Dispensing with this circumstance is responsibility of training centers basically. So that, together with planning modern specialist, they must cautious adjusting these specialists to modern business environment. Recently, modern companies, particularly limited liability companies are hindered gather and necessities to accountants are expanded. Already, just an accountant can deal with in more than one company, a cashier moreover carry on as an bookkeeper. In any case, since of expanding managing an account operations, even though little businesses require partitioned accountant. That's why training centers must do basic works for this way and offer assistance to develop qualified pros.

For reinforcing of accounting, moreover procedures around "black or dark accounting" have to to be taken. That's why, in our nation, "Commission of improving and coordinating labor relations" is being created. Numerous individuals are locked in in individual business enterprise, however they do not register officially labor or work force relationship within the government bodies.

In this day and age casual work is one of greatest infringement of the law within the work force relationship range, moreover economic action sphere. Numerous procedures ought to be engaged around this issue and it can diminish the rate of "black accounting" in economy of Azerbaijan. Generally, in our nation, continuously issues like this exist. But as of late, all problems mentioned above have started to be solved.

3.2 Current situation and general problems of accounting in Azerbaijan. (Expert opinions)

Opinions of *Vugar Hajiyeu* about the general situation in accounting system of Azerbaijan and the main issues which are obvious:

"First of all, we have to divide the categories of companies in Azerbaijan. If we need to divide it by 3, we can split it into big, medium or small. In small businesses, accounting is usually based on tax accounting and if the company wants to register it wants to

account. There are also black bookkeeping that is purchased, purchased and sold according to market rules. It is based on tax accounting. In some of the medium-sized companies, accounting is only about taxation, and some are actually related to accounting.

We know that they've removed national accounting and passed to international accounting. Almost every major company records are divided into two parts: accounting and tax accounting. Accounting is carried out in accordance with the main international standards and tax accounting is performed in accordance with the legislation. Large companies say that we have large holding companies that have records that are audited and even audited by oil companies, telecommunications companies, and large four or big ten audit firms.

In other words, in Azerbaijan, small and medium-sized companies have tax accounting and enormous companies have tax accounting and accounting.

The choice of accounting policy largely depends on the segment. For example, separation into two sections, accounting and tax accounting. Although they are dependent on each other, we have many different differences. The tax accounting policy requires the accurate calculation of key taxes. Accounting policy enables the company to record all assets, debts, assets, capital and any transactions realized. Verification, analysis and results of each of these, together with their registration. Of course, every process needs to be accurately reflected.

It starts with what? – Reflection of the process in the truth and precise time of truth. This is the most sensitive and important. For example, a simple example: you paid money to a contemptible person, but he didn't spend it and where did he spend it? How did he spend it? Recordings must be made in accordance with binary records. These binary entries will also be written into the account plan. You need to know whether this will be a long-term asset or inventory, so sign up. The tax records indicate that the value should be

at least 500, at least 1 year or longer. However, accounting is based on international standards and gives the company the freedom to choose how to act, register its assets and choose accounting policies. It is also important that they save up to operations; for example, when long-term assets are used to generate income, they begin to accrue and amortization is calculated. For example, you purchased a set and this kit was set up in a separate area. Technical errors occur when production begins and documents come to accounting or not after 3-4 months. Failure to do so or delayed delay does not indicate the actual situation in the company. For instance, it should have been registered in December, but the documents are being delivered in May, and so it has an impact on the former financial period, so there are some mistakes in them and so on. Secondly, it is the plan of accounts to be set up after the initial registration of everything. It should be decided whether these processes should pass through the interviews. This is the basis of all major reporting forms.

In addition to registration in our companies, we have the most basic problems - Assessment. There are some discrepancies in the valuation of assets and liabilities. For example, there is a conventional commitment that we have almost no idea. An example of this is the example of court cases. There is a court case with another company, \$ 100,000, and you have to make a reservation if you have to do this and make a commitment. Contingent liabilities are not well thought-out in the corporations in Azerbaijan, they are not evaluated and recorded. If the company's internal relationships are not set up correctly, and that is not included in accounting policies, this leads to problems. In our company (AZERCONNECT), who is in law, the case is going on, the company filed a lawsuit, and there are a few million litigation cases, but there was no long notice of accounting. At that time, it is not registered, estimates are not probable and the figures do not appear correctly in the reports. After the reporting period, it seems that this 2 million court has been lost, but everything else - dividends, dividends, and time spent.

There are two main methods of valuation of fixed assets, one of which is the market value method and the other method of expense. The expense method can cost as much as the cost of producing something. However, it is necessary to look at the market value method, the value of this commodity on the market. For example, a machine has been produced for 10,000 manat, but later it becomes clear that this car does not have a buyer at the price of more than 8,000 manat and will be damaged. The use of these methods depends on policy, and we are mainly based on market value. Whether buying or creating your own is a key role here, you can not afford the price you want for a product you own, it's also a tax-adjustable part. For example, if you create an asset and have set a value of 1 million, you will depreciate it for that amount, but it can say that the tax is 800,000 manats. And so there will be problems.

Another problem is the uniqueness of the asset, its rarity. For example, it's just inside the country, you will have difficulty evaluating it. You can not buy the US market price, but it is necessary to conduct a regional analysis and determine the market value in approximate manner.”

Opinions of Taghi Taghi-zada in this matter:

“I would like to provide a wide-ranging response. First, what should you start with? In general, in our republic purely for business purposes. That is, what is business? The goal is to form a union, which is a profitable one. In return, it is a field that provides customers with goods, commodities or services. You can profit from business, but in order to know how profitable it is for you, businesses must have a business plan and a proper accounting system should be established.

The main problem lies in setting up accounting records. Because everybody - any small or medium-sized entrepreneur - thinks that they can get something from their business. In fact, when it comes to real income and expense, it seems that there is no real

profit in the reality. It just seems that they always have money as a result of the sale, they have their income.

Proper accounting of accounting records in every company is a pivotal matter, which may depend on the entity's future. If the enterprise has a proper accounting, the current situation in the company may seem very easy and every analysis and analysis can be undertaken. At the same time, it is possible to take what steps to take in the coming years and to find out which strategy can be used in the sphere.

We all know that accounting for years in the Republic of Azerbaijan was simply carried out in the direction of tax accounting. Now, by means of the summary of the International Financial Reporting Standards, many corporations have started the normal accounting system in our country. Currently, the Ministry of Taxes encourages it and tries to adapt the code to it. International accounting standards have not been applied since the present time, because there were no specialists in this field. Now there is a great need for them and their growth, since there are few specialists. Another reason for this is that many of our accountants have an old mind-set. The base was based on older people, since they are old-fashioned and have international standards, so we have no book-keeping system over the past few years.

The new minister of taxes, Mikail Aliyev, also noted at his meeting that 95% of companies in Azerbaijan have no accounting records at current conditions.

Lack of accounting records in companies will automatically lead to black bookkeeping. The existence of black bookkeeping is, in any event, the absence of accounting for assets and liabilities, and the failure to register revenue and expenses. It does not mean they are hiding. If no one is officially registered and does not register, there is no need to register for any of the liabilities, assets, profits, capital, or expenses normally.

In order to avoid all the facts we have mentioned, plans and steps must be taken to set up accounting for improvements and improvements, and enterprises should be encouraged.

Generally, our system has always had such problems. A number of changes have been made to prevent these problems. Looking at the changes in the code, we see that the main goal here is not to give discounts, but rather to increase the fines and to attract more funds to the budget.”

Opinions of Subhan Gasimli about this matter:

“In general, if we talk about companies in Azerbaijan, we can divide them into certain categories. If we divide the most roughly, we can divide local businesses, international corporations and the companies that work with international companies. More precisely, the other three divisions are companies that have formed and established accounting systems, companies with accounting systems which is in development and accounting systems that have not been developed or formed. Formed companies say businesses that work with foreign companies that have come to Azerbaijan from the very beginning of the rapid development of the oil industry can be understood by their employees who have formed their accounting based on international experience. These include financial sector, banking, non-bank credit organizations, insurance companies, foreign investors, such as telecommunications companies such as Azercell and Bakcell. This type of companies has built and developed many years of accounting systems - both financial accounting, management accounting, and tax accounting.

Let's count companies belonging to the category of accounting companies. They were companies that wanted to make adjustments to their accounting system in connection with the new developments in Azerbaijan and the transparency course. At present, many large private companies in Azerbaijan, such as Gilan Holding, our company Sinteks LLC, joined to the wave, and try to establish a record system. These are companies that are

mainly engaged in trading and manufacturing, raw materials, or goods sold abroad. The main factors affecting this are two key ones: Customs Transparency and Transparency Tax Transformation in Azerbaijan over the past few years.

However, there are some corporations that are local companies, none of them have links to international companies and investors, but they have been well-established companies from their earliest registry systems. I see these as an exception to the categories I count. Usually it was PASHA and other companies that owned it, or Carlzberg.

And if we need to talk about the latter category, we can illustrate some of the small, small entrepreneurs and middle-income entrepreneurs. They have their own very simple records for themselves. Usually, they are willing to negotiate with any other accountant for tax accounting and help them apply monthly or quarterly reports. At present, the state has demanded that each entity be required to open VAT monthly reports, with the requirement for accounting and accountants to be involved. In addition to the tax they are currently paying, accounting is a simple management accounting. A simple account that can answer questions such as how much I have, how much I sold, how much money I earn or be paid.

The idea of making a mistake when choosing an accounting policy is wrong in my opinion. Depending on the relative segments, it may be a mistake to conclude that enterprises choose a non-compliant accounting policy. If we talk about international standards, the selected accounting policy should be based on the requests of international standards. If this accounting policy is based on international standards, it is commonly stated that you should do so and there is no possibility that there will be something wrong with that. Or the International Accounting Standards (IFRS) are some of the options that you either have to choose, or select the other. For example, for the assessment of fixed assets, there are two choices: Renegotiation method and cost value method. Most companies prefer the value method because the revaluation method is a difficult and

expensive process. Or, two methods are permitted for the inventory: FIFO and AVCO. Our company uses the FIFO method. There is no difference in many institutions, but some businesses may choose this option. There are companies that sell products that are outdated, frustrated, so the choice of FIFO is crucial for them. As the IFRS standards are clearly marked for each option, there is no opportunity to make any mistake when choosing an accounting policy. Or you have to do it, or the other. The only point where companies make a mistake is that they decide which one of them depends on the segment.

There is no way to make mistakes in accounting policy, and there is no way to make mistakes. Because you select this policy based on the standards. Accounting policies must be written, checked, and covered by accounting records that are important to the entire company.”

Nasimi Nuriyev added:

“In accounting system of the Republic of Azerbaijan, we have two types of accounting in the economic thinking of our entrepreneurs: white and black. But this is a very wrong idea. We have a general idea that psychology has been formed that accounting would only be made in accordance with my accounting, if it solves only tax issues. This is a completely wrong approach. In general, when accounting is required, not just a tax related issue, but a company or enterprise-owned entity must be registered. And you should use this account to prepare your own reports in accordance with the tax legislation requirements. Accounting based on tax legislation does not mean that you recorded everything during registration. The main task of the tax legislation is to put the necessary obstacles and demands in front of enterprises to avoid tax evasion. Hence, they try to avoid tax evasion by mixing misstatements in revenue and expenses.

As I said earlier, mainly businesses think that if I do not have problems with the Ministry of Taxes, the state would say that my account is good, and that's all. This is one of the biggest mistakes made by managers. When the accounting policy is selected, entities

may carry out various types of accounting; financial accounting, management accounting, tax accounting, and so on. However, our businesses are only choosing the most suitable tax accounting for this opportunity. However, it is crucial that precise accounting policies and proper accounting of accounting policies are used to study the current condition of the entity and provide future management decisions.”

3.3 Issues with accounting and valuation of assets and liabilities in companies. (Expert opinions)

Opinions of *Subhan Gasimli* about problems with valuation of assets and issues when it comes to their registration matter:

“Assessment, revaluation of fixed assets may be necessary in some cases; if it has not been properly recorded so far, you may need to reassess your fixed assets. At this point, you may have enough information, but there is no value information and there is a need to evaluate it. An asset purchased 10-15 years ago, is still in use and has no information or documentation about its value. A second case may be that the company has an impression of price. As an example, one company may start to work with very large losses, or depending on the segment it operates, the equipment and the operating environment of the company have significantly depreciated. For example, if earlier SMS companies did not go through new discoveries, then problems would arise, their circulation would end, and so on. Another example is that there were only 1-2 types of diameters and the equipment of the companies was already there, and there are now many types of printing, which significantly reduces the value of the company itself and its equipment. Thus, the company is forced to make a revaluation.

Some problems arise from lack of these assets markets. For example, it can be a material asset that is not sold or used in Azerbaijan. In this case, there may be serious problems with finding its value at market value. There are some coffers that have been left in the Soviet era and currently used in Azerbaijan to evaluate non-marketable assets. Using those coins, they can evaluate specific non-marketable assets.

The biggest and only problem that can be considered for Azerbaijan is the lack of specialists in this field. There are very few real specialists in this field in Azerbaijan, and the vast majority of them are concentrated in big and monopolized companies, such as the Big FOUR or the Big Ten. Those in small and medium-sized companies are not experts, they are not analogs, but are engaged in analogy. Conduct estimates by giving figures.

Another problem is that the international standards of assessment are not accepted in Azerbaijan. It can be said that there is no standard technique used in the evaluation. Azerbaijan has, for example, valuation standards. International standards of assessment require a special methodology, which is not very common in Azerbaijan.

Under international standards, the key elements to be taken into account when accounting for assets, liabilities and capital that are the main items of balance are those that are essential to their initial recognition. Once the circumstances are abundantly met, assets and liabilities can be acknowledged in the statement of financial position. For example, if any event that has taken place in the past has anything that is already under control of you and is likely to bring you more economic benefits in the future, that is your asset. In the simplest way, these conditions should be.

Along with these, conditions must be met for determining whether a fair price can be determined or not. Is it possible to learn the fair value of this asset? If it is possible to set a fair value, you can perform initial recognition at this time. The second question arises when do you do it? What is the date of initial recognition? For example, when the asset's cash flows are paid, whether all the risks and rewards of the asset are transferred to your asset, whether the asset is placed in your warehouse, installed or put into active use. In truth, there is not an enormous problem. The standards clearly show that, when and under what conditions and when you are an asset, an obligation can be recognized as a liability.

The next point is that questions can arise over time and the change in the number of records as the asset is used. How to Change if Changed? They also have different conditions, are some kind of financial assets, are different in biological assets, and in other investment assets are otherwise. Each has its own rules. When registering, the registrar should know exactly what he is doing and what to do to avoid the most important probes. Because it will depreciate on these assets, make a reassessment, evaluate on market value and so on. And, in absolute terms, the asset should be checked for impairment and, if there is an impairment, these should be noted in the statement of financial position.

One of the biggest problems that arose during the accounting of assets in Azerbaijan is the problem of exaggeration. If it is not likely to be worth it, you need to lower the value of this asset and not show it as an unrealistic figure.

The same rules may be used when recording liabilities. There are conditions for the initial recognition of the liabilities, there is a requirement for initial recognition and the date at which the initial recognition is required. These rules include the following accounting policies, how to make changes in accounting after 1 or 2 years. If the company has a financial liability, there are specific rules for their depreciation. There are financial liabilities, tax liabilities, contingent liabilities, and so on, each of which has its own depreciation order.

In the present-day period, the problems that arise during the accounting process do not come naturally. Because it has convenient software, it is possible to make a comfortable recording. If you do not have a software, at least it's possible to sign up with EXCEL. In order not to be a problem, there is no need to reduce any liability. If there is a probability of an obligation, it is necessary to make a reservation and to consider it in the future, so that there will be no problems in the future. Either the contingent liability must be declared and the liability should be reported or the liability should be recognized directly.”

Taghi Taghi-zada added:

“Generally, a large majority of our enterprises do not record and estimate fixed assets. Its cartulary must be opened, inventory number must be given and controlled. Additionally, the duration of its useful life must be determined, the value should be determined by certain methods, and the exploitative act of the fixed asset, the act of exploitation should be written. In our companies, there is almost none of these records. As for the valuation, there are certain valuation companies that can analyze the total market prices for fixed assets and give them an approximate value. In order to avoid all such problems, a proper accounting system should be established primarily for the enterprises.

The main problem in accounting for assets and liabilities is due to the fact that our companies have only “black/dark accounting”. No one properly writes his or her assets or liabilities because he does not record it properly. The debtor does not note debts and this can lead to loss of money. Another example is that A has 5 pounds in debts to the company, but did not pay attention to it in the record and mistakenly paid A to 10 manat. Thus, overpayment can lead to loss of money. Often, the other party does not even know that the accounting system is incorrect because it has actually paid 10 manat to pay 5 manat. They do not pay much attention to such things as they do with the money, the proper accounting and registration.”

Opinions of Vugar Hajiyeu in this matter:

“Assets are mainly related to long-term and short-term assets. Short-term assets are money in cash or bank accounts, and there is no big problem with their accounting on the treasury side. The other main thing is that the accounts receivable can lead to the loss of cash in the future. Funds receivable from debtor should be properly registered.

The main problems arise when we are recording intangible assets. For example, there is some equipment, there is also a program for managing it. Although the program

should be registered as an intangible asset, it is often erroneous to register its value on the tangible asset. So discrepancies arise. The service life of this intangible asset can be a license period, and any need may be needed to improve it, so it can not be taken with the value of the tangible asset.

There are mostly problems between black and white accounting. It is clear that the expense during the black purchases is lower. An example of this is that 10 foreign assets are imported from abroad, while only 2 are cleared and the rest is imported in other ways without a documentary. At the time of tax deductible only these two can be taken as the basis. However, international accounting says that there is no difference, even if it is not a document, can be registered, and 10 if it is registered. At that time, 2 will have customs expenses, but there will be a difference in values because charge is not shown in the other eight.

When talking about assets, as we have said, accurate accounting of each transaction is important here, and if one of the errors fails, it will affect the other. Balance must be maintained. An error in accounting for a liability will also result in errors in the asset's accounting, and even if the balance is secured, errors will arise. Correct calculation and registration of creditors' debts, liabilities, bank loans plays an important role. Keep in mind that when the goods are not properly processed, there will be mistakes in their obligations, affecting their assets, and thus, errors will arise in all reports already. Everything depends primarily on the correctness and timeliness of transactions.

When a liability is not properly computed, the same errors may occur in an asset or a capital, and errors occur whenever the balance is considered. For example, the total amount of creditors' debts may be straightforward, but if a mistake is made on whom the debt is to be paid, then payments to legal entities and individuals will not be properly implemented. The total amount may not be wrong, but when you examine it, everything becomes clearer. For example, when an asset is received, the creditor debt to A may be incorrectly charged if B is incorrectly marked. These are the most mutual difficulties."

And Nasimi Nuriyev added:

“Debt settlement is primarily focused on creditors' debts. But in our code, this has not been so good. In the global market, e-commerce is currently developing rapidly, with everything else being done with credit, leasing and various other means. As a result of such operations, the tax code does not pay attention to the emergence of credit debts, the risk management, and the creation of necessary reserves for credit debts. However, this has been taken into attention in the international accounting standards and in the world financial statements, and there are classifications such as contingent liabilities and contingent assets. For example, the simplest example is court work. We can show the earnings or the expense that can be earned by the court decision as a condition. In the Taxes Code, this is simply a matter of fact, but it has not been overestimated.”

3.4 Accounting problems of income and expenses. Errors in reporting financial statements.

Calculation problem of income and expenses and their effect on financial statements during the reporting period are discussed by expert Vugar Hajiyev:

“These problems are largely dependent on segments, for example, agriculture. For example, if you work with agriculture, your products are produced by farmers, cooperatives, associations. If you provide everything from them, then officially nobody does or can submit to you. That's why one of the biggest problems is coming out. It is necessary to do so, to register with the document, and there are problems when they do not.

Depending on the segment, the cost value cannot be formed properly. For example, if you produce a television, do not correctly calculate costs, this will have a direct adverse effect on the cost value, and the sales price will normally be incorrect and thus will have a negative impact on your profit. This is again dependent on the proper timely recording of transactions. Each factor was actually dependent on it. For example, businesses

producing different types of goods may be producing television, but you do not mention it in a single operation. In this case, the distribution of expenses will not go smoothly, and if we have to give another example, there will be administrative or administrative expenses, and problems will arise in the division. Or, there are 10 types of cars in the factory, and they bring material for her, take one to the warehouse, and so on. Their accounting and distribution should go smoothly. A proper system for their proper accounting should be installed and correct coefficient should be removed, or the cost of goods A would be wrong, or B property. Let's demonstrate an actual example, Samsung. It produces goods, commodities, in dozens of types in a factory. How do they divide and calculate each of them? Obviously, there are very good systems, there are industrial parks, where production and registration of everything is done normally.

One of the biggest mistakes was that some companies' other sales expenses and administrative costs would include this cost value. This problem also causes great mistakes.

Our tax code permits two methods of calculating revenues, cash and accrual methods. I personally treat the cash method as a negative, because it does not reflect reality, but if you close all income costs within a month, there is no difference in that accrual method. It can inadequately reflect the actuality. For example, in a former company I worked with, except for utility costs, any other charges were closed by the middle of the month, and there was no problem.

Generally, companies working in cash method face problems with the calculation of revenue, because they are misinterpreted. For example, a service would have to be recognized, but it would have to recognize its revenue when it was paid, but in reality it had to recognize it as revenue at the time.

In fact, the main problem that arises in this report is that everything we talk about so far has been. Everything starts from the very beginning, from the accurate and timely

recording of each transaction. What is the main formulator for profits and losses, income and expense? What's the profit? Other costs deducted from deducting revenue are already your net profit before tax. Any mistake you make, any incorrect calculations or calculations will cause you to make a mistake in your earnings and loss report. For example, if you did not make a mistake in calculating a differential tax, the asset could give rise to another difference, or else a misstatement could have a different kind of self and so on.

If you give another example, the depreciation may be wrong, the expense will either be greater or less, which can either negatively or positively affect the profit. That's why the percentage of depreciation should be exactly the same, for example, calculating 15% a year with 10% a year leads to the problem, and you cannot do that for your own liking. If so, you should justify the reason why you have changed the depreciation rate of this asset. If you change, you have to calculate the previous years and make a balance, so you have to keep going. Our tax code says that up to 25% is allowed, and the company shareholder cannot say for sure that this year will reduce my depreciation rate and I have a lot of dividends. That's why it should be very clear and valid policy, no change in the future and no problems.

The main mistakes were actually subjective. It may be different in each company, but most importantly, it does not comply with the standards set by the standard, and there are still those who act according to national accounting rules instead of accounting based on international standards. The standards are not actually concrete, so they are often subject to change, and they are adapted to these.”

Opinions of expert Subhan Gasimli:

“Cost calculation and recognition may also be carried out in the same manner as some of the conditions are met. What are the terms and conditions that can be classed as

expenses and can be expensed? Major problems can arise in the distribution of these costs.

Costs may include administrative, sales-related, transport, other, or cost-related costs. Problems may arise in large production enterprises, which can be problematic, splitting costs and calculating in the appropriate part can be a major problem.

There are also problems with allocating dividends and costs. Some companies may sometimes suffer from dividends and expenses as their understanding of their allocation has not improved.

Everything in the IFRS standards for revenue calculation is accurate and accurate. The question is, which operations are profitable and how it should be recognized. If I am not mistaken, a new standard of income has been adopted. Previously, there was only a standard in the IFRS, and then, with the US influence, adapted to the US GAAP system, this standard slightly accelerated and re-published. Under what conditions can earnings be recognized as income, when do you need income recognition?

There may be some problems with using the cash technique or the calculation method. Many companies in Azerbaijan use computation method. It is also a calculation routine required by IFRS. Even taxpayers use this method of calculation. In our company, we use the calculation method.

Granting of privileges during calculation of income can create problems. For example, KATV gives a free gift for the subscribers, who have become an annual subscriber. Recognition of revenues and discounts is regulated by international standards. The main thing is to follow them correctly.

Numerous errors can be made during the tuition of the financial statements. The reason for separately of these is the mistakes made during accounting for all assets and liabilities during the financial year. However, if an audit report is prepared, the auditor can prevent all errors. And consequently there is not a gigantic problem.

The mistakes that are made are mainly those that are at the end of the period and may have other operations, revenues and expenses, which are also prevented by control.”

Expert Taghi Taghi-zada had different and harsh opinions in this matter:

“If we talk about costs, it should be said that most of the expenditures in Azerbaijan are not recorded. Why? If you hide your income, there is no need for your expense. Our businesses are trying to hide what they can. If you have up to 10,000 monthly revenues, they show it as a maximum of 1000. Because they show so little revenue, they are less expensive. For example, there are actually many workers, but only 2 workers register and show their expenses.

In very rare cases, it is possible to come up with the correct calculation of the profit and loss statement and the statement of financial position in our enterprises. Only 10% of all enterprises in Azerbaijan can be found here.”

Nasimi Nuriyev added:

“Enterprises can divide 3 major costs such as raw material costs, wage costs, and amortization costs. The Tax Code contains two methods of depreciation of fixed assets, decreasing residuals and straight line methods. These methods apply to both manufacturing equipment and non-production equipment. Although the Tax Code allows this, it is a very wrong step to apply these methods to production and non-production equipment at enterprises during financial accounting. I see it as one of the most serious mistakes. This can have a major adverse effect on the cost of leakage during production costs. Depreciation of production equipment by manufacturing method is the most optimal option for calculating and determining the product cost. Let's assume that you are depreciating with the dropping method, at which time your depreciation costs will not be proportionate to your production and thus will cause serious problems. However, when using the production method, your production capacity and how much goods you produce, you will have amortized costs. This will have a positive impact on your decision. In fact,

this is one of the biggest gaps in the Tax Code. Businesses are able to show their own costs by the declining residual method, so that artificially profits are more likely to emit taxes.

Where does the main problem arise in the preparation of financial statements? During the reporting period, preparing tax statements for tax authorities and preparing a financial statement for them in accordance with international standards. When preparing a tax report, it must be a VAT deposit according to the tax rules. However, according to IFRS international standards, there is no such account or resource. The amount remaining in that deposit account should be active in the financial statements. Make sure you have a bank account in the Ministry of Taxes and you have money left there. You recognize this as your asset. IFRS standards indicate that it can be marked as other assets, but it is not your other asset. Why? There may be any deferred asset that cannot be assigned or renamed in assets, and you will therefore note other assets with appropriate notes. However, when we say a deposit account, money in our account can be understood in the Ministry of Taxes. Tax commitments are payable here, so it can be assessed as a financial asset. But then again, that is not what we are.”

3.5 Development perspectives of companies accounting and valuation system. Recommendations of experts.

In order to develop and improve accounting system of our companies and prevent the errors which can rise during valuation, our experts gave some recommendations.

Advices from Vugar Hajiyeu:

“Accounting companies are already regulated by international standards. It's wrong to say there's something wrong with standards, because I'm just a financial employee. Every year, these standards are amended, for example, this year, changes have been made to standards 15 and 16. You should follow these changes and apply them correctly. We must admit that the world is changing and does not stop. Every day, new things, rules and

practices come out. Because of these changes, there are changes in the standards for the facts, and the most important thing is that they adapt to these differences correctly. If you do not know how to register it, you should create new standards and new approaches for it, and of course everyone can easily apply it. It was also important for everyone to adopt the same approach, why? In the globalizing world, the importance of working with the same standards is crucial to the comparison of the past and the indices, the comparison of the indicators of different companies.”

Suggestions from Subhan Gasimli:

“If I have to give general advice, what is the main drawback in our country should be advised. This deficiency is about professionals. Training of specialists with good international standards of knowledge, which can work well with international standards such as IFRS, plays a crucial role.

Another suggestion is to use a powerful and sophisticated software. It can be 1C, Oracle may be. Oracle is used by more giant companies, because buying and storing is very expensive. However, software like 1C can be a great help during the accounting period. If we have to provide an example of national software, we have to note the "Günəş" software.”

In the end of our interviews, Taghi Taghi-zada gave his suggestions:

“In my opinion, the main burden lies in our educational institutions. More up-to-date standards, better textbooks and curricula need to be developed more educated experts and specialists. Theoretical views of these specialists on international standards should be sufficient. They must achieve this by applying these theoretical knowledge in practice. If this system does not develop, they will still be able to keep up with the old rules, no accounting system.”

Conclusion and suggestions

From what have been discussed over, we can conclude that the issues in accounting framework of Azerbaijan are as follows:

- The contrasts between national accounting framework and international accounting system such as IFRS and US GAAP;
- The issues emerging in conjunction with financial and tax accounting;
- Informal (black/dark) accounting in limited liability companies;
- Old bookkeeping computer program that's utilized in limited obligation companies and ERP frameworks are not used.

The way of making better the accounting system in Azerbaijan and understanding all problems depend on changing bookkeeping software.

But what is ERP framework? - Enterprise resource framework is the method that company utilize it to oversee and orchestrate its fundamental parts. ERP framework comprises of arranging, programming, deals, buys, showcasing, back, stock and other branches.

For making better bookkeeping system and fathoming issues in accounting branches in Azerbaijan, limited liability companies must to pass to ERP framework and mechanize of bookkeeping process. For tackling the issue of contrast between financial and tax accounting, concurring to the title, it must evacuate and they need to be the same. In this case, “Black/dark accounting” is expelled and all forms in bookkeeping gotten to be transparent.

Along with all these problems, the lack of specialist problem is one of ostensible issues in valuation and accounting of companies in Azerbaijan. More up-to-date guidelines, superior reading material and educational module got to be developed more taught specialists and masters. Theoretical views of these specialists on worldwide

standards ought to be sufficient. They will accomplish this by applying these theoretical knowledge in practice.

Another recommendation could be to use a dominant and sophisticated accounting software. It can be 1C, Oracle may be. Accounting software like 1C can be a great help during the accounting period and assist company in preventing errors in advance.

List of references

Books

1. Mühasibat uçotunun nəzəriyyəsi (Abbasov Q.Ə. – 2009)
2. Mühasibat uçotu, vergilər (Aydın Kərimov)
3. «Mühasibat uçotu haqqında» Azərbaycan Respublikasının Qanunu (Bakı – 2005)
4. Beynəlxalq mühasibatlığa giriş (IFRS əsasında) (Radil Fətullayev)
5. Mühasibat uçotu: Qanunlar, qaydalar, təlimatlar (2016)
6. Gəlirlər və Əmək haqqı siyasəti (S.R.Bayramova)
7. Accounting and Financial management (Y.P. Singh)
8. ACCA Financial Accounting (F3 paper BBP)
9. Corporate finance (BERK/DeMarzo 4rd edition)
10. Financial Accounting (V.K/Ruchi Goyal)
11. Accounting for value (Stephen H. Penman)
12. Bookkeeping Guidebook (2th edition Steven M. Bragg)
13. Accounting (Warren Buffett)
14. Financial Accounting concepts and applications (11th edition)
15. Fundamentals of Financial Accounting (HENRY LUNT)
16. IFRS practical implementation guide and workbook (Magnus Orrel, Graham J.holt)

Internet sources:

17. www.muhasib.az
18. www.accountingtools.com
19. www.investopedia.com
20. www.accountingverse.com
21. www.accountingformanagement.org