The Ministry of Education of Azerbaijan Republic

Formation and enhancement of financial statements of commercial organizations

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JUNE 2018

Acknowledgements

Firstly, I want to give thanks to my family, teachers, instructors, and friends that always support me for my education decisions. Hafis Hajiyev was my accounting teacher. He gave me many inspirations regarding accounting and helped for making this study case. I have just tried to do something here about formation and enhancement of financial statements of commercial organizations. I wrote this study case with the support of him.

I also would like to give thanks to my university it was honour for me to study in UNEC (Azerbaijan State University of Economics) and my instructors who had taught to me at SABAH groups about different subjects. I wrote this writing with the help of overall knowledge that I get from these subjects (especially Accounting and Finance).

Finally, I appreciate the study years at SABAH groups where I have learnt Accounting, Economics and Finance more detailed and in a strong way. I want to give thanks to every people- all my instructors, my groupmates, my dean- doc. A. Guliyeva. So I want to give thanks all people who had role in my education.

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Introduction.

The actuality of the subject. In the market economy, the ultimate goal of enterprises is to meet the demand for their products and earn maximum profits. In order to achieve these goals, it is necessary to conduct a branding research to find out the market demand and market condition, armament of the demand, increase the level of staffing and so on. It is important that such works are undertaken. These activities, as well as financial and economic measures, are been implemented on the basic of a management decision. Debt settlement is the final and decisive stage of the settlement process. Financial statements are compiled in aggregate on the basic of the entity's business, plant and equipment. Data from financial transactions are used to analyse economic activity in various segments of the entity, identify its positive aspects and deficiencies, identify the causes of disassociation, evaluate the effectiveness of the business as a whole, raise it, and for other purposes. The integrity of the information used for this purpose is crucial. The accounting class is an indicator of the entity's financial position for a specified period of time and the results of its operations, and an organizational adjustment is an integral part of the entire accounting system. This document has the capability of reflecting all the indicators out of the initial registrations of the initial documentation. It should be noted that, at the very least, it was wrong to think only accounting or to imagine it. At the same time, it is important to keep in mind the accounting system, as well as statistical, organizational and other types of business. It is expedient to regulate accounting standards as part of the standards of public standards approved by the International Benchmarks Standards Board.

1. "Inflows that are required to be reflected in the financial statements" (International Accounting Standard No. 5);

2. "Changes in the Financial Position" (International Accounting Standard No. 7);

3. "Consolidated Financial Position" (International Accounting Standard No.3);

4. "Securities have been classified as held-in and acquired in subsidiaries" (International Accounting Standard No. 27).

As seen in the names of the global accounting standards, it defines the composition of the information to be reflected in accounting records. Compensation for life is not reflected in the standards of accounting standards. The purpose of the market relationships is to differentiate between the objectives of the market participants: the possibility of returning business partners to investors, investing risks, organizational development and financial stability, information on stockholders' equity, dividend size and repayment rules, the amount of profits and salaries it is interested in paying it properly and paying it to the budget. All of these is done on the basic of relevant indicators. Accounting is not only an analysis of the results of the financial and economic activity, but also for controlling at the same time. Therefore, accounting should be accurate, complete, objective, timely, and clear to those who use it.

Level of studying the problem. Acceptance of any economic decision in our business depends largely on the quality of the information available. This also implies the importance of their independent auditing and analysis to ensure the integrity of the information used. Research literature on trends, methods of analysis of financial transactions in economic literature is encountered. In connection with the study of the issue, the country's economists have been trained in the following areas: S.M.Sabzaliyev, Z.Muslumov, I.M.Abbasov, C.B.Namazova, H.A.Jafarli, Q.Abbasov, R.N.Kazimov, N.M.Ismayilov and others, as well as foreign economist scientists - J. Rishar, V.I.Podolski, M.V.Melnik, V.Q.Kogdeknoko, O.E Efimova, Q.V.Savitskaya, A.D.Suremetin and others.

Purpose and tasks of the research. The purpose of the Diploma Study is to evaluate the existing approach to the analysis of financial flows and to identify ways to improve it for justifying management decisions based on honest and objective information. The following tasks have been put in place for the purpose of this goal:

- studying the concepts of computing financial activities in commercial organizations;

- Determine the trends of auditory evidence identification at various stages of the audit of the financial assets of the economic subdivision and the directions for their improvement;

- Investigating the accounting and accounting practices based on National Accounting Standards (NAS) based on the Basis Audit Standards (BAS);

- Studying the experience of financial analysis and the possibility of using them in the activities of the Republic's enterprises;

- Making suggestions on improvement of financial accounting and various forms of reporting, etc.

The prerequisite and object of research. The study of the direction of improvement of the financial performance analysis of the sub-items of the economic subdivisions constitutes the prerequisite of the research, and the petrochemical industry is the subject of the research.

The genuineness of the research. The genuine dimension of the research has been as follows:

- procedures for conducting accounting in accordance with the NAS and the preparation of the financial statements have been identified;

- indicators used for the analysis of the computed financial flows based on NAS are systematized;

- directions for improving the analytical approaches used in the process of losing credibility;

- directions for improving the existing financial performance analysis have been identified.

Practical significance of the research. The proposals made as a result of the research will allow more accurate assessment of financial performance of the entity, its property and financial position and financial performance, and justification of the decisions.

Structure of work. The master dissertation consists of the introduction, the two chapters, the results, and the list of used literature.

1.1 Financial Statement, Its Status and Purpose.

The business environment is, first of all, the indicator of the results of the enterprise's activities over the past period. Regular submission to the relevant state and other organs is one of the most important characteristics of their character. For compilation of accounting records, all types of current account are used - accounting, statistical, technical and accounting records. That is why it is possible to make a comprehensive report of the enterprise's economic activity through the enterprise. The composition and circulation of the asset are determined and approved by the Ministry of Finance of the Republic of Azerbaijan and the State Statistical Committee. One of the most important ways of managing the management of the business process is to submit the report to the competent state bodies in certain quantities and periods. At present, improvement of the whole system of management is one of the most important tasks of the independent Azerbaijan Republic's economic policy. Significant accounting and accountability for government and public sector management is unmatched. The nature of enterprise, organization, and organization is a major source of information about their activities. The method is used to manage households in order to avoid obsolescence, to overcome economic downturns, to assess their quality indicators and to obtain initial information for future planning. An in-depth study of the Hypothesis Indicators creates conditions for disclosing the findings and

achievements of the enterprise, as well as determining the ways in which the work is done. Adaptation of the economic structure to the economy planning and the requirements of the state statistics and the insurance market is one of the distinguishing feature of economic accounting. In the Republic of Azerbaijan the account is carried out by the State Statistics Committee of the centralized state administration. The State Statistical Committee regulates the substantiated statistical indications on the progress in the implementation of government tasks, the speed of economic development, the welfare of the people, the availability and utilization of natural labour and material resources, and their submission to government agencies. The State Statistical Committee is regularly reporting on the basic of the presented procedures and on the implementation of state orders on the development of the national economy on the basic of the methodology of cessation. This committee is also involved in the issues related to the improvement of the methodology and organization of the accounting and statistics in accordance with the requirements of economic entities. The management of the financial statements of the ministries, enterprises, organizations and departments are accounted for by the Ministry of Finance. The Ministry of Finance prepares and approves a typical accounting plan, typical accounting records, accounting policies, and instructions for applying the accounting, agreed with the State Statistical Committee. In the same way as a one-way management, the unity of its own structure and its fundamentals is one of the most important conditions in the various branches of the national economy. Proper correction of business processes in business situations is an objective necessity in any society. Implementation of the results of economic activities is a codification of the state discipline. All businesses and organizations that operate on a business-friendly basis and have an independent balance must submit a state-owned entity. Consumer associations and industry enterprises are directly involved in the production of industrial products. If enterprises that are part of the existing trade unions do not have an independent balance, then the state of affairs is formulated in solidarity. The plan and performance indicators are one of the most important chains of intricate machine-

building mechanics. Current account deficits and performance indicators are relatively rational. This suggests that the indicators should not justify the implementation of the action plans, but also the reasons for their departure from the plan. At the present time, some indicators have been identified in the economic subdivisions, and the following indicators have been reported in connection with the acquisition of fixed assets and property rights. These traditions are actually adapted to the requirements of the market economy. The accounting standard is an indicator system that reflects the entity's property and financial position as well as the financial performance of its business. Not every business entity (including non-resident investment companies) has an accounting degree, regardless of ownership. In addition to its accounting practices, subsidiaries (institutions) are compiling and presenting the summary statements of their subsidiaries.

The entity's financial statements are:

- balance sheet;

- profit and loss statement;

- change in equity;

- cash flow statement;

- accounting policies and explanatory notes;

The list of all legal entities, as well as the order of their compilation, is reflected in the guidance developed by the Ministry of Finance of the Republic of Azerbaijan. One of the key features of accounting is the system of accounting of the accounting data.

Balance sheets for accounting policies should be consistent with synthetic and analytical accounting data, as well as information acquired at the time of acquisition. No indication of any indication will be permitted in the approved form (except as provided in the Guidelines for Issuing Annual Reports). At the same time, it is not permitted to request an additional qualification in a non-certified

form under the name of an identifying reference. It is not permitted for adjustments and stigmatization in accounting transactions and balances. An annually short report adds that the volume should not be more than 15-20 pages. Here are the main factors affecting the entity's possible outcomes and reflect the financial position of the entity. The accounting records of the enterprise are as follows:

- state-owned organizations;

- high quality organizations (based on state-owned property, enterprises under the enterprise);

- Owners (associations, shareholders, limited liability companies, co-operative members, etc.) in accordance with founding documents;

- bank institutions, subject to credit agreements;

- Associations, affiliates, consignors, buyers, etc., in accordance with the constituent documents and contracts.

The period from January 1 to December 31 inclusive is for all entities. For a newly created entity, the term remaining until the end of the working period is equal to 31december. The date of the accrual date for the accounting business is calculated on a calendar day. Monthly and quarterly shades are drawn from the beginning of the year, with augmented rhythm. Quarterly accounting practice is as follows:

1. Balance sheet;

2. Profit and loss statement.

The accounting standard is presented in a timely manner in accordance with the instructions. If those periods are unexpected, then the head of the enterprise and the chief accountants are responsible for it. The accounting records and balances presented to the entity are signed and sealed by the head of the enterprise and other responsible persons. Other relevant addresses are sent to the address and balance sheets (approved by the chief accountant). Compiling the basis of accounting records, the entity expects to comply with the general principles of accounting and

to comply with the requirements set forth in the accounting standard. The results and prices that are available to those who use the HES are often dependent on compliance with these requirements. These requirements are as follows:

- Establish a reliable information about its property and financial status as a result of its operations. Transactions adjusted and adjusted in accordance with the validity of accounting policies shall be deemed to be valued. The validity and accuracy of the accounting records will be based on the basics of its accounting bases and the implementation of its principal principles (full coverage of all economic transactions of the economic cycle, covering the performance of the entity's branches, representative offices and other units, anticipating the statutory requirements, proper preparation of expenses and revenues, compliance with the data of inventory data, reliability, loss of opportunity, etc.);

- Preparation of all the sub-items, depending on the type of activity;

- compilation of national language in the state language;

- Preparation of foreign currency in the currency of the Republic of Azerbaijan, etc.

At present, the improvement of the forestry and forestry practices should meet the following three questions.

1. Who is there for life?

2. For what purposes should be the publicity disclosed?

3. To what extent is it expedient to disclose the heritage?

The experience of foreign countries shows that it is primarily intended for credit brokers, stockholders and other investors. Other uses refer to the company's employees and customers, government agencies, and the public as a whole. Understanding the mainstream users' decisions is that these decisions are foreseen for the purchase and sale of the firm's securities for investors; for creditors, the terms of the firm's credit are taken as the basis. Shareholders, and sometimes

creditors, may not be as satisfied or dissatisfied with the company's policies. Therefore, accounting standards should be fair enough for those who use it. In all cases, the following information needs to be disclosed:

1. About hired recruits;

2. Information on labour costs;

3. Occupational health and safety;

4. On employment conditions;

5. About staff training;

6. On Production Relationships;

7. Social Situation (housing, transportation, etc.).

Disclosure is understood to mean the most informative sense of information. These accounting items are directly accounted for in annual accounting periods. Information on the modern market economy, additional disclosure, plays a special role. The point is that certain items of the balance sheet (such as goodwill) can be assessed by a variety of entities in a variety of ways. In such cases, the simplest disclosure of the facts makes it difficult for an entity to have an objective picture of the entity. Therefore, according to the recommendation of the International Accounting Standards Board, financial statements should be clear and understandable. The highlights must be based on accounting policies.

1.2. General Methodological Principles of Financial Reporting.

Any commercial organization statements in the data(assets, liabilities, equity, revenues, expenses and profits income) financial statements asset have compiled accounting balance of minimal level of demand characterizing be met, as well as an initiative by a organization, the management of additional data asset information, should be completed (minimal required information is provided for

disclosure of information relating to transactional, financial and investment activities). The reasonableness of such information is the need to control the expectations of assets at the level of profitability, the importance of counterfeiting risk management, and comparative competitiveness of the organization's business in comparison with the competitor. There is also a case where one quality conflicts with others. For example, financial statements should be readily understood to the users. At the same time, all significant information should be reflected in the financial statements. As we prepare the financial statements of a plant for producing chemical products, we can stay in two segments: either we have to allocate the raw chemicals (to meet the requirement of relevance) or simply record the raw material (in order to meet the clarity requirement). Qualitative indicators refer to the attributes and characteristics to which financial statements are been acquired. It is important to maintain balance between all indicators. Thanks to these indicators, financial statements become more accurate and acceptable. The quality indicators have been reflected in the Conceptual Framework proposed by the International Accounting Standards Board (IASB) for the preparation and presentation of financial statements. Financial accounting records should reflect accurate and timely information that is relevant to their business and financial position, financial performance of the entity, and changes in the financial status of the entity. The significance of the indicators reflected in the financial statements are determined by the roles of the beneficiaries in the assessment of the financial situation and the outcome of the financial performance. Undoubtedly, there are difficulties in making and accepting economical decisions by the consumers that are not reflected in the information (not disclosed). Therefore, the organization should focus on the significance of their performance in the process of promoting the economic indicators. In the practice of accounting and hedge accounting, the relative weight of the instrument is significant, with no more than 5%. According to international standards, the quality of the financial statements is intended to provide users with information that is essential for the quality of the information.

Quality, quality, honesty, relevance, neutrality, meticulousness, and more. The short quality of these quality standards should be met.

Understanding - the consistency of the information provided in the financial statements is useful for those who use the report. Its essence is that it is understandable for those who use the financial statements. Even if they do not have their own professional training. The financial statements that are compiled in accordance with the rules and normative acts on the enforcement of fraud are considered to be complete and reliable. Its indicators provide honest information about the entity's financial position and financial performance, as well as changes in its financial position. According to this indicator, one important information should not remain outside the financial statements. Because the complete unreliable financial report can surprise the consumers.

Integrity - information should be objective and deprived of every mistake and displacement. The presence of this indicator ensures that the information about the results of the entity's production and commercial activities are reflected honestly in the report. When making a business decision, the consumer should believe in the accuracy of the information provided and the integrity of the financial statements and the information contained therein should be in line with the real business situation and that no error or misstatement in the report data should be confirmed by an audit.

Significance - another factor of the relevance of the information contained in the financial statements is considered to be significant in its content. The user forms an objective idea not only about the entity's past performance but also determines the future prospects for future business activities. In principle, assets, liabilities, revenues, expenses and economic transactions, as well as those that are part of the cash flows, are reflected on an offset basis. Therefore, all information that can have a significant impact on the decision-making of information consumers is important. Substances or phenomena that do not have great importance should be reduced. In

the accounting and reporting practice, the indicator less than 5% is considered to be significant.

Neutrality. According to this principle, the information must be available to those who are already in use, meaning that the interests of a group of people who are involved in the seizure of weapons should not be preferred over the other group. Therefore, when formulating the financial statements on that basis, an entity should not attempt to favour the interests of a group of users of financial statements over another group.

Controversy. - information must be compiled on a comparable basis. The relevance of an accounting policy involves the ability to compare the business combination with the current period's earnings. According to this indicator, consumers of financial statements should be able to compare the activities of similar companies (working in the same sector) based on these reports. The company itself should also be able to compare their personal accounts at different times. Therefore, the evidence of war crimes is a minimum of two years. Comparison of financial statements should be provided in the following two ways:

1 .Corporate surveillance - comparing a company 's financial performance with another company' s financial activity.

2. Vertical reciprocity - to compare the financial performance of a company with its previous period.

Relevance - Information required to be included in the report should be used by users of the financial statements. This indicator requires all relevant information to be reflected in the financial statements. If the information in the financial performance assists the beneficiaries, this information is considered relevant. In this case, the financial information is influenced by the following factors that are relevant to the information: timeliness, significance, predictability and validity of results

Reliability - This statement should provide reliable information in the financial statements. The information is then credible enough to keep this information away from important errors and omissions. Any intermittent, but not reliable, information should not be disclosed in the financial statements.

The difference between reliability and relevance is explained as follows:

1. The occurrence of disclosure is the factor that should be disclosed, which information should be specified.

2. Reliability is the factor that depends on the quality of the information: from which source the information is obtained, how accurate and correct it is, and so on.

3. It may be better if the intangible, but not reliable, information is included in the financial statements.

4. More reliable information should be presented in the financial statements.

Fitness. − information should be wounded to consumers when formulating an economic decision. It is known that the quality of information and its usefulness are characterized as the source of information about the entity's financial and economic activities. At this time, the financial information should be useful for the specific economic decision-making categories of the consumer.

Clarity - information should be provided to consumers in an understandable way. The reporting information provided to make the information clearer should be clearly and clearly understood by their classification and other indicators.

Consistency - this means that the financial statements prepared for the various periods must be complied with the same principles, that is, the same. According to this indicator once adopted the rules should be applied continuously at other times. However, new methods may be used to prepare financial statements if:

1. If the new method meets the goal;

2. The new method has been presented and explained by IASB;

3. If any change in the entity's business has occurred and a new method is required.

Carefulness - this should not be more than the profit for the demand, and all expected losses should be noted. This means that all expected losses should be considered and immediately mentioned. Earnings should be deducted at the time they occur.

Fair presentation - the meaning of this indicator is as follows:

1. Financial statements should be prepared in a most precise way, where no one should be a mathematical error.

2. When preparing financial statements, all the standards of warranty proposed by IASB should be applied.

3. All legal requirements must be met.

4. It is impossible to cause distortion. For example: showing more earnings instead of real earnings.

Right presentation - The essence of this statement is that the transactions in the financial statements should be presented as expected.

The essence of the substance on the form - when calculating and presenting the transaction and other events according to this indicator, it should be taken as a criterion not merely a legal form, but the essence and economic reality.

All of the quality indicators mentioned above should be included in the financial statements and the balance between all quality indicators should be maintained. How to balance between these indicators is the result of professional judgment. All indicators are of equal importance. You can not refuse any of them by distorting one another.

The results of the entity's financial and economic activities are of interest to a wide range of analysts: management costs, representations of financial institutions, auditors, auditors, bank employees, creditors and others. Assessment of business

results is, as a rule, within the framework of financial analysis. Accounting is the main source of information for analysis.

There are many indicators in the art that most of them are composite indicators. Most algorithms are generated by this or that level. Where balance items are reflected in the determination of financial results based on the closing of the transactions and the results of the economic cycle, and the balance itself is the result of unbounded claims. Certainly, the basis of the quality of the entity's financial condition is the understanding of the significance of the economic content of each substance in the structure of economic activity.

Hypothesis constitutes the capability of mutual relationships. Logic and information have a mutual title. From the logical point of view, here you have to show three things.

Firstly, the logic of the preparation of the item is determined by the necessity of converting the economic and financial pace of the enterprise and the efficiency of its use. The main accounting items reflect the balance of payments and the profit and loss of both businesses - both static and dynamic. Therefore, the absence of any of these entities does not allow determining the financial position, restructuring and prospect of the entity.

Secondly, most of the balancing items are available. Therefore, a number of significant balance sheets for an entity's property and financial position are disclosed in additional measurement disclosures.

Thirdly, the dynamics and dynamics of changes in the key indicators (profit, capital, fixed assets, etc.) in the analytic plan are of great interest. These ratios are reported in the reporting system and can be determined during the analysis.

The logical relationships are complemented by direct and indirect controlling relationships between data rates. When directly referring to the system, it is understood that an indication is reflected in some of the following ways (eg, the value of the finished construction at the beginning or the end of the year is 1 and

5). Downing profit ratios reflect some of the relative uncertainty in dealing with a number of traffickers through a pattern of behaviour. Knowing the connection between these indicators is not just an analysis, but also important from the control. Before starting to analyse the accounting policy, it is exposed to its validity and its substitution.

Accounting behaviour is periodic. In this regard, it is necessary to distinguish two aspects of the financial analysis:

a) the assessment of the economic situation and the resulting change;

b) the assessment of financial and economic performance.

Analyses of these trends can be carried out at varying degrees of detection, determined by the analyst and dependent on objective and subjective factors. Within the framework of the analysis, the auditing, analysis and analysis are conducted on the basis of few basic indicators. In this case it is possible to carry out an analytical evaluation in a short time. Deeper financial analysis is more profitable. Therefore, it is a financially-oriented, financial analysis of the analytical approach to the market economy. An accountant, as well as an enterprise manager, should know the fundamentals of the financial analysis, including the content, indicators and items of the financial statements and their relationships. One of the features of the organization of analytical work should be the following: the roles and essences of coercion methods, rules and methods of analysis change. In addition to traditional methods, analytical work can be used without modifying it.

1.3 Financial Statement Users and Their Information Needs.

Users of financial statements consist of existing and potential investors, employees, lenders, suppliers and other commercial lenders, purchasers, government and its affiliates and the public. They use their financial statements to meet their various information needs. This information needs include:

Investors. Risk-makers and their advisers are worried about the risk of investing and revenue from it. They need information to make decisions about buying, storing, or selling them. Shareholders are also interested in providing information that enables them to assess the entity's ability to make dividends.

Employees. Employees and groups representing them are interested in the stability and profitability of their employers. They are also interested in providing information that enables the organization to assess its employees' ability to pay salaries, provide them with retirement benefits and employment opportunities.

Group of lenders. The lenders are interested in the information that will help them to determine whether the interest and the interest on the debt will be paid in due time.

Suppliers and other commercial lenders. Suppliers and other commercial lenders are interested in getting information about their timely repayment. As long as the commercial lenders are not dependent on continuing their operations as the main buyer, they are less likely to be lenders than the lender.

Buyers. Recipients are particularly interested in information on the sustainability of the organization, particularly when it has long-term relationships with the entity and depends on it.

Government and its agencies. The government and its agencies are interested in the distribution of resumes and, therefore, the organization's activities. They may also require information such as regulating the organization's activities, defining taxation policies and the basis for national income and similar statistics.

Public. Institutions have a different impact on community members. For example, organizations can make significant contributions to the local economy in various ways, including the number of employed and donations to local suppliers. Financial statements can help the public to provide information on trends in the organization, recent changes and its scope of activities.

While financial reports can not meet all of the information needs of the users, there are general needs for all users. Because investors are risky capital investment providers, providing financial reports that meet their needs will also meet the needs of most users. The primary responsibility for the preparation and presentation of the financial statements of the entity is the management of the entity. The management of the entity is interested in information contained in its financial statements, even though it has access to additional management and financial information to implement its planning, decision-making and control functions. There is an opportunity to determine the form and content of such additional information to meet the management's needs. The objective of the financial statements is to provide the information that is important to the economic decision-makers for the majority of users on the entity's financial position, performance and changes in its financial position. The financial statements for this purpose meet the general needs of most users. However, financial statements do not provide all the information necessary for economic decision-making by users because they reflect financial effects of past events and non-financial information. Financial statements also indicate the management's responsibility for the results of the entity's management's operations or its reliability. Users who want to evaluate the performance or responsibility of management are doing so to make economic decisions; these decisions may include issues such as keeping or selling investments in an organization or reassigning or changing management.

2.1. The format, content and interpretation of the statement of financial position.

Elements that are directly attributable to accounting for a financial position are assets, liabilities and capital. These are as follows:

Asset is an expected asset that can be driven by the entity as a result of past events and can provide future economic benefits to the entity.

Liability is an existing obligation arising from an entity's uncertainty and the repayment of an outflow of resources embodying economic benefits.

Capital is the value of the net assets of the entity after deducting all the liabilities.

When determining whether the item meets the definition of an asset, liability, or capital, the focus should be on the merits and economic reality rather than its legal form. Thus, for example, in the case of finance leases, the substance and economic reality is that the lessor has the right to leverage the leased asset over most of the useful life of the asset in exchange for the fair value of the asset's fair value and its associated financial costs yields. Consequently, finance leases form items that are consistent with the terms of the asset and liability and are recognized identically to the lessor's accounting balance.

Assets are an option that enables future cash flows to be directly or indirectly invested in an asset into the entity's cash flows and their equivalents. By organizing part of the organization's core activity, this opportunity can be productive. It may also be able to reduce the amount of cash outflows as it can be converted into cash or cash equivalents or, if the application of an alternative manufacturing process reduces the cost of production.

The organization usually uses its assets to produce goods and services that are capable of meeting the needs and needs of buyers; goods and services are able to satisfy these needs and needs, so buyers are willing to pay for them and, ultimately, to increase the cash flows of the entity. The funds themselves serve the institution because of their importance to other resources of the organization.

Future economic benefits embodied in an asset may be incorporated into a variety of ways. For example:

(a) may be used alone or together with other assets in the production of goods or services sold by the entity;

(b) exchange with other assets;

(c) may be used to settle the liabilities; or

(d) may be shared among the entity's owners.

Many assets, such as land, buildings and equipment, have a physical shape. However, the physical form is not essential for the existence of an asset; for example, patents and copyrights are activated if they are expected to be included in the entity's future economic benefits and controlled by the entity.

Many assets, for example, are related to legitimate rights, including receivables and receivables, property rights. Property right is not the key to determining the asset's existence; Thus, for example, the leased property is deemed to be deemed to be active when the entity controls the expected yield. Although the entity's ability to control those outcomes is usually the result of its legal rights, the substance also complies with such an asset definition when it does not have legal control. For example, a "know-how" derived from research activities may conform to the definition of an asset when it is controlled by the entity for its expected occurrence. Assets of the entity are the result of past transactions or other past events. Buildings are usually acquired through the acquisition or production of assets, but other transactions or events may also generate assets; which can be demonstrated within the framework of the Program for Strengthening Economic Development in a Specific Area and the discovery of discovered mineral deposits and the property of the entity from the state. Transactions or events that are expected to occur in the future do not create an asset; so, for example, the intention to make a reservation does not correspond to the asset definition itself.

There is a close relationship between the assets generated by the expenses, but it does not matter if both of them are at the same time. Hence, the cost of the organization may prove to be in line with its goal of achieving economic benefits in the future, but that is not a substantial evidence for the achievement of an item that is in accordance with its active concept. Similarly, the lack of adequate costs

does not prevent the candidate from being eligible for an item's active understanding and thus recognized in the balance sheet; for example, the items donated to the body can comply with the asset definition.

Liabilities. The main feature of the liability is that the entity has a current liability. The debt obligation is a debt or duty to act in a certain way or to execute it. Debt settlement obligations may be legally binding upon a compulsory agreement or a legitimate claim. The simplest example is the amount of money that is to be paid for goods and services provided. Debt settlement may also arise from normal business practices, trades, or willingness to maintain good business relationships or to act justly. For example, the amount of costs expected to be disposed of in the case of goods sold, even if the entity has made a decision on its policy to correct defects in the product, even after the expiry of the warranty period.

A distinction must be made between the present obligation and the future obligation. The decision taken by the management of the entity to acquire assets in the future does not in itself cause the current debt liability. The liability is usually created when the asset is included in a contract that can not be cancelled in connection with the presentation of the asset or the acquisition of the asset. In the latter case, the irreversibility of the contract means that the economic consequences of non-fulfilment of the obligation, for example due to a large amount of penalties, give the organization very few choices to prevent the resources from going to the other party. Execution of current commitments to satisfy the demands of other parties usually results in the refusal of the entity to boost economic benefits. The fulfilment of the current obligation can be achieved by various means, for example:

(a) cash payments;

(b) transfer of other assets;

(c) providing services;

(d) replacing one liability with another; or

(e) the transfer of the liability into equity.

Liability may also be cancelled by other means, such as waiving the creditor's claim or losing this right.

Liabilities arise from past transactions or other events. Thus, for example, the acquisition of goods and the use of services create commercial creditors' debts (unless they have been paid in advance or at the time of delivery) and withdrawal of a bank loan creates a liability to repay the loan to the bank. The firm may recognize future discounts as a liability based on the annual purchases of customers; in which case the sale of goods in the past is a transaction that results in the liability. Some liabilities can be measured only on an accrual basis. Some entities show these liabilities as reserve funds. In some countries, such reserve funds are not deemed as liabilities, because the definition of a liability is narrower than that which is only reflected in the amounts that can be measured without the need for an approximate estimate. Accordingly, if the reserve fund is related to a current liability and meets the other provisions of the definition of a liability, the amount is considered to be the same, even if it is approximate. Examples of these reserve funds include reserve funds to cover available guarantees and reserve funds to meet their retirement obligations.

Capital. the balance is determined as the residual amount, and may be classified in the balance sheet at that subaccount. For example, the reserve fund, which provides stockholders' balances, unadjusted gains, retained earnings and equity reserves, can be shown separately in the corporate structure. Such classifications may be important in terms of the need to make economic decisions for users of financial statements when they are subject to legal or other restrictions on the ability to allocate or otherwise dispose of the entity's capital. They may also indicate that shareholders with an interest in the entity have the same rights as dividends or repayment of capital.

Sometimes a charter or other statutory reserves are required to create an additional reserve to hedge against the effects of losses on the entity and its creditors. Other reserve funds can also be created if tax liabilities are tax exemptions or reductions

in the case of transfers to such reserve funds by national tax legislation. The existence and extent of such legal, mandatory and taxable reserves are important information for users of economic decision-making. Transfers to such reserve funds are not the costs, but the use of retained earnings. The amount of capital shown in the balance sheet is dependent on the measurement of assets and liabilities. As a general rule, the aggregate amount of the equity is consistent with the amount that can only be obtained from the entity's total market value at the time of its occurrence or part of the net assets or the entity's entire sale on the basis of continuity of activity.

Commercial and industrial activities are carried out by institutions such as individual entrepreneurs, partnerships, trusts and various types of government agencies. The legal and regulatory framework for such entities is often different from that applied to corporate bodies. For example, there may be fewer restrictions on the distribution of capital in ownership between owners or other beneficiaries, if any The document on the principles of preparation and preparation of financial statements and the LAS 1 standard on the introduction of the Financial Statement have been adopted. According to these documents, there is no financial risk:

- balance sheet;

- profit or loss statement;

- change in equity;

- cash flow statement;

- Disclosure policy and commentary additions.

The recapitalized structure of the annual report and individual economic activity should be streamlined. However, a combined set of recommended information is provided for reporting. In the western accounting and analytical practice, a great experience has been set up in the preparation of the annual report, its structure and composition. The exemplary structure of the transformation covers the following sections:

- Short characteristics of the entity;

- application of the head of the enterprise (the prime minister, the director);

- the nature of the administration (characteristics of the activity, invoices and co-ordination of activity, assessment of the financial condition, the enterprise's technical specifications, etc.);

- accountancy;

- explanatory notes to accounting records (charter capital policy, key and intangible assets, financial assets, debtors and creditors, expenses, liquidity and financial stability, and so on);

- Auditor's application;

- other information.

The detailed program of financial and economic activity of the enterprise is carried out in the following sequence:

1. Prediction of the economic and financial condition of the entity.

1.1. Characteristics of general direction of financial and economic activity;

1.2. Determination of "weak" items of balance;

2. Analysis and evaluation of the enterprise's economic potential.

2.1. Assessment of the enterprise's property status;

2.1.1. Analytical balance - compilation of some;

2.1.2. Horizontal Analysis of Balance;

2.1.3. Vertical analysis of balance;

2.1.4. Analysis of quality changes in the entity's real estate;

2.2. Assessment of the entity's financial position;

2.2.1. Valuation of liquidity;

2.2.2. Financial stability assessment;

3. Analysis and evaluation of financial and economic activity of the enterprise.

3.1. Analysis of business activity;

3.2. Analysis of profitability;

3.3. Evaluation of market and investment activity.

Provides information support for the software with the annual accounting practices. However, some analytical methodologies may also include quarterly and monthly balance information. An analysis of any aspect of the program requires a range of indicators to be compared with time, space and time. The results and quality of the analysis are determined by the database of their comparison. Consideration of indicators and coefficients in the case of isolation does not give a good result. Therefore, the achievement of the expected result and the adoption of reasonable control are possible with their spatial-time correlation. The achievement of high results from the implementation of analytical approaches depends on a number of conditions: first, that work should be systematized. Secondly, analytical work should be based on the principle of "Generally Personal", moreover, first of all, the analysis and evaluation of indicators that fully comprehend the results of the enterprise should be considered. Thirdly, special attention should be given to various types of changes, namely that the positive or negative displacement on this or that indicator should not be substantive. It is no coincidence that the analysis begins with a summary of the key performance indicators of the entity. At this point, the following questions should be answered:

- What is the level of property of the enterprise at the beginning of the business?

- Under what circumstance was the case of the enterprise during the transition period?

- What kind of economic activity has been undertaken during the transition period?

- What were the results of the enterprise during the transition period?

- What is the real estate status of the enterprise at the end of the business?

- What are the merits of the financial and economic activity of the enterprise?

The entity's financial position can be measured for short-term and long-term business relationships. In the first case, an entity assesses its financial position and its liquidity and solvency. The analysis of long-term financial position is based on the assessment of the entity's financial stability.

An entity's liquidity assessment begins with the determination of its liquidity. Balance sheet assets are higher in liquid assets - cash and cash equivalents, assets held by group II - debtors and other operating assets, slow-growing assets in Group III - items "Retained earnings and expense" (excluding future periods) , Group IV assets that are difficult to manage - do not include items in Section I of the balance sheet. Long-term liabilities (long-term bank borrowings and equity holders), group IV passive liabilities (items of I class of passive liabilities) do not include short-term liabilities (group creditors), Group II short-term liabilities (short-term bank loans and borrowers). **For example:**

Balance sheet at December. 31.2017	
Current assets	
Cash and cash equivalents	5.000
Temporary investments	25.000
Accounts receivable	40.000
İnventory	30.000
Prepaid expenses	2.000
Total current assets	102.000
Non-current assets	
Property, plant and equipment	60.000
Land	8.000
İntangible assets	

goodwill	150.000
Total assets	**420.000**
Current liabilities	
Accounts payable	44.000
Wages payable	10.000
İnterest payable	3.000
Tax payable	7.000
Total Current liabilities	**64.000**
Non-current liabilities	
Notes payable	26.000
Bonds payable	190.000
Total liabilities	**280.000**
Stockholder's equity	
Common stock	55.000
Retained earnings	120.000
Less treasury stock	35.000
Total Stockholder's equity	**140.000**
Total Stockholder's equity and Total liabilities	**420.000**

2.2. Methodology and practice of generating profit or loss and other comprehensive income

During the reporting period, the company receives various types of income and expense as a result of business operations. These elements are reflected in the "Profit and Loss" report.

Revenue reflects an increase in economic efficiency as a result of an increase in the number of assets during the reporting period, resulting in an increase in equity but not associated with the equity capital of shareholders during the reporting period, and as a result of an increase or loss of assets during the reporting period. When revenue is generated in cash at the time of the transaction, the cash and currencies are increased on the one hand and the revenues are increased on the other hand. In the case of receivables related to the income generating unit, on the other hand, the amount of receivables increases in the asset and revenues are increased on the other hand.

Formation of information about revenue and its disclosure in the financial statements of foreign companies are governed by IFRS 18 and IAS 6.The objective of this Standard is to provide a clear definition of the revenues generated as a result of certain types of transactions and events. Revenue includes revenue from both the parent and the entity's operations and other revenues.

IFRS 18 Revenue requires accounting for revenue arising from the following transactions:

- sale of goods;

- Services rendering;

- Use of enterprise assets in other organizations (interests, dividends, royalties). In accordance with international standards, income is only referred to the economic benefit of its current account. The amounts received from the third party, namely sales taxes, goods and services tax and value-added tax, etc. the entity does not reflect the economic benefits involved. These amounts do not result in an increase in private equity, namely the deductible amount.

IFRS 18 The Income Statement does not apply:

1. Dividends related to investments recorded in equity method (IFRS 28 "Investing in Associates");

2. Lease agreement (IFRS 17 "Lease");

3. Changes in fair values of financial assets and financial liabilities or their cancellation (IFRS 32 "Financial Instruments: Disclosure and Presentation");

4. insurance contracts of insurance companies;

5. Changes in the value of other current assets;

6. Extraction of useful minerals;

7. Natural increase of number of animals, agricultural and forestry products.

Depending on the nature of the entity's revenue, the conditions of its acquisition and the entity's activities, it is classified into three categories: revenues from ordinary activities, operating income, and non-sales revenues. Revenues derived from ordinary activities are the economic benefits of sales of products and commodities. Other revenues from ordinary activities, including extraordinary earnings, are considered to be other income. Operating Income includes the following revenues:

1. Revenues from equity holdings, bonds, including other securities, such as: dividends, interest, etc.;

2. When the enterprise transfers significant risks and rewards of ownership to the goods to the buyer;

3. Interest earned for the use by the bank of cash from the enterprise account;

4. Income from joint venture activities;

5. Proceeds from sale of basic and vendors (land, buildings and equipment) and other assets, goods, products (excluding foreign currency);

6. Proceeds from granting of rights arising from patents for other types of property, in respect of payment;

7. Other operating income. Revenues usually arise from the sale of the firm's goods or services. This indicator forms the entity's business and determines its main

financial result. However, income from non-sales are earned, which is the result of other financial result of an entity or organization. Revenue from non-sales activities includes:

1. Earnings earned in the reporting year and recognized in the actual amount;

2. Penalties, penalties, stamps and other sanctions received for debts taken by the borrower or forfeited by the court for breach of the terms of the economic agreements;

3. Gratuitous purchase assets, including forgery agreements on market value;

4. Compensation for damage incurred by the Borrower or incurred by the Court in respect of the Recipient;

5. Amounts of the creditor's debts, whose expiration date has expired;

6. Increase in asset price based on revaluation information;

7. Exchange rate differences of foreign exchange, including foreign currency exchange rate differences;

8. Other non-sales revenues.

IFRS 18 Revenue recognition is measured at fair value through profit or loss, either acquired or acquired by the entity, for the purpose of selling the asset.

Fair value comprises the amount at which an asset is exchanged or a liability settled in a transaction that is inconsistent with one another and is readily disclosed. One of the important elements of financial accounting and reporting is expense. The expense is a reduction in economic efficiency that is not related to the distribution of equity among shareholders during the accounting period, but which results in a decrease in equity, a downward movement or decline in assets during the reporting period, and a reduction in liabilities. Most of the expenses are due and payable over a period of time. At the end of the reporting period, however, expenses that are incurred but not yet recorded are disclosed. As a rule, the obligations arising from expenses in enterprises or firms are not paid immediately.

As a result, the entity's calculated costs, that is, unexplained expenses. Accrued expenses arise when the firm or enterprise accepts the goods or services received, but the payment for that expense is postponed. If the company receives any asset in exchange for the costs incurred, as a result of this transaction, the firm's assets and liabilities on the other hand will increase. If the firm spends on the service it charges, it increases the costs on the one hand and on the other hand, its commitment. In addition, firms or businesses are sometimes expected to earn a certain period of time by paying cash in a single accounting period. These types of transactions make an asset through profit. These assets are referred to as the costs of future periods or deferred expenses. In the future, relevant revenue is earned on a regular basis.

Revenues recorded in the current account are grouped into three types, depending on their nature, condition and nature of the entity's operating expenses: operating expenses, operating expenses, non-sales expenses.

Expenses related to ordinary activities involve the costs incurred by the entity to achieve economic targets. Thus, the costs associated with ordinary activities are the costs associated with the acquisition of raw materials, materials and goods, including their processing and sale in order to produce them. These costs include: material costs, labour costs, deductions for social needs, depreciation, and other costs. Operating expenses include the following expense items:

1. Expenses incurred as a result of transferring enterprise assets under temporary conditions;

2. Expenses arising from the participation of other enterprises in the charter capital;

3. Inventions, patents, industrial designs, etc. costs incurred in connection with payment of intellectual property rights;

4. expenses arising from payment of services rendered by credit institutions;

5. Expenses related to the sale of fixed assets (land, buildings and equipment) and other assets, goods, products (excluding foreign currency);

6. Reserves for assessment reserves (for doubtful debts, inventories related to contingent economic activity, such as collateral for investment in securities);

7. Loans provided for the use of the enterprise, interest payable on debt;

8. Other operating costs.

Non-selling expenses include:

1. Penalties, stamps, and other sanctions that are recognized by the court for the breach of the terms of the economic contracts or recognized by the entity;

2. Actual costs incurred by the Authority for the payment of damages to confirmation documents;

3. Losses arising from past due receivables and other non-redeemable debts;

4. Expenses for previous years, which were discovered in the reporting year;

5. Negative exchange rate differences of currency accounts;

6. Amounts of their value based on assets revaluation;

7. Other non-sales expenses.

In addition, extraordinary (unexpected) expenditure relating to other costs is distinguished by the fact that such costs are incurred by emergency situations such as fire, accident, natural disaster, and so on. related expenses. Conceptual basics, along with the definition of financial accounting and sheet elements, are also explained in terms of recognition. The recognition criteria refer to when the financial statements are presented in the financial statements.

Financial statements can be identified in the following cases:

• Complies with the element's definition;

• Suitable for recognition.

Recognition paths include:

It is assumed that all future economic benefits associated with the item will either be included in the entity or expelled from the entity;

Cost or initial value can be measured reliably.

Sales of goods in most commercial organizations; services, and interest, royalties, and dividends.

Revenue from sale of goods is recognized in the following cases:

1. Management should not be involved in effective control of the goods sold;

3. When the amount of revenue is measured reliably;

4. When the entity is probable that the economic benefits associated with the transaction will flow;

5. When the transaction costs incurred and expected to be recovered in the entity can be measured reliably.

The revenue from rendering the services can be recognized on the following terms:

1. Where the revenue can be measured reliably;

2. Where an entity is expected to obtain an economic benefit from the transaction;

3. The stage of completion of the transaction can be determined reliably;

4. When costs can be estimated reliably. Income from profit (proportionate basis), royalty (based on the basis of the relevant contracts) and dividends (when determining shareholders' rights to pay) are recognized in the following cases:

1. When the economic benefits associated with the transaction are likely to be included;

2. When the amount of revenue can be measured reliably. As regards the criteria for recognizing the cost of the other significant element of the "Profit and Loss" report, the following conditions must be met:

1. The amount of the expense can be measured reliably;

2. It is probable that the future economic benefits associated with a decline in assets that can be measured reliably and that the liabilities will decline. In the statement of profit or loss, expenditures are recognized on a straight-line basis over the expense on income and expense items. This process is called the cost and profit comparison process. However, it should be noted that the application of the comparative procedure does not permit the recognition of items that do not comply with the definition of assets and liabilities in the balance sheet. Furthermore, if the economic benefits are expected to be recovered during the several accounting periods, the expense is recognized in the statement of financial position on a rational basis. This type of recognition is required when recognizing costs associated with the use of assets such as fixed assets (land, buildings and equipment), patents and trademarks. At this time the expense is recognized as depreciation. This method (depreciation) is intended to be recognized as an expense over the accounting period in which the economic benefits associated with those items are utilized or have passed. If expense does not generate future economic benefits, or if future economic benefits do not meet the recognition criteria in an accounting balance sheet, the expense should be recognized immediately in the statement of profit or loss. At the same time, an expense arising from a liability before the asset is recognized (a liability on the product) should be recognized in the statement of profit or loss.

All these gains and expense items recognized during the reporting period are included in the statement of profit or loss. Finally, these elements are compared to the "Profit and Loss" report and the financial result of the firm or entity is formed over the period.

An entity shall present a reliable and substantive analysis of the expense recognized in the statement of profit or loss on the functional or expense recognized in the statement of comprehensive income.

The expense items are classified in terms of the semi-annual differentials of the financial effects, such as susceptibility, forecasting and potential for future economic benefits. This information is provided by one of the two methods.

The first method of analysis is the cost-benefit method. An entity combines expenses for profit or loss on a business combination (investment, purchasing of inventories, transport costs, wages and salaries, costs), and is not distributed among the entity's various functions. This method can be used comfortably because it is not classified as expense specifications. Below is an example of classification based on the nature of the expense method:

Revenue		X
Other income		X
Changes in unprocessed production and finished product resources	X	
Raw materials and materials	X	
Staff costs	X	
Amortization costs	X	
Other costs	X	
Total Expenses		(X)
Earnings before tax		X

The second method of analysis is a cost-of-sales method, where the costs are classified as part of the cost of the relevant sales or, for example, administrative costs or administrative costs. In accordance with this method, an entity discloses at least the cost of the sale separately from other costs. Using this method, users can provide more substantial information than the cost classification method, but allocation of costs by their functionality may require a random allocation and

include a valid decision. Below is an example of the classification of expenditure by function method:

Revenue	X
The initial cost of the sale	(X)
Aggregate Profit	X
Other operating income	X
Cost of sales	(X)
Administrative costs	(X)
Other costs	(X)
Earnings before tax	X

2.3 An existing rule of formation of a statement of changes in equity.

Basic concepts

Capital - is the value of the entity's assets after deducting all the liabilities.

An equity instrument is any contract that confirms the residual interest in the entity's assets after deducting all the liabilities.

The authorized capital of the enterprise is the amount of capital of the enterprise as determined in the constituent documents registered in accordance with the rules provided by the legislation. The authorized capital of the joint-stock company is equal to the total nominal values of all the shares assigned. According to the requirements of the Civil Code of the Republic of Azerbaijan, the charter capital of the enterprise shall be fully paid and paid until the enterprise is registered.

Paid-in authorized capital is a part of the authorized capital paid by the shareholders.

Emission income is the amount overdue than the nominal value. Emission concessions are the difference between these amounts if the shares are lower than their nominal value. In accordance with the requirements of paragraph 1077.2 of the Civil Code of the Republic of Azerbaijan, the initial placement of shares at a lower price than the nominal value of the shares is not permitted.

Retained earnings (stocks) are the redeemed stocks held by the entity until subsequent repurchase or liquidation.

Paid capital is an increase in equity as a result of the transfers made by shareholders within their authority. Paid for stock societies is the amount remaining after the deduction of the capital withdrawn from the amount of paid-in share capital and emission income.

Earned capital is the following as accumulated during the reporting period:

(1) the remaining amount of any other direct expense recognized directly in equity, in accordance with the provisions of the relevant NASCO, deducted from other direct expense in equity;

(2) the remaining amount after deducting the dividends and other deductions from the entity's net profit.

Capital reserves are part of earnings capital that is held for specific purposes in an entity and can not be distributed among shareholders.

Undistributed earnings are part of the earnings that can be shared among shareholders. Shares are the costs directly attributable to the issuance of the entity's equity and other equity instruments.

Significant error is a mistake found in the current period that results in one or more previous periods that the financial statements may not be considered reliable at their presentation dates.

Capital components

Capital accounting records the following transactions:

(a) the establishment, the issuance and repayment of the shares;

(b) any subsequent transactions between the entity and its shareholders, such as the issuance of new shares or the withdrawal of the issued shares;

(c) the payment of dividends and similar amounts;

(d) the creation and use of capital reserves;

(d) recognition of changes in equity, recognized during the period but not reflected in the Profit or Loss Statement;

(e) the net profit of the reporting period to the unrecognized profit.

The following components should be reported in the Balance Sheet and the Statement of Changes in Equity

Authorized capital;

emission income;

backed capital (stocks);

capital reserves;

unearned earnings.

Capital recognition and evaluation.

Chartered capital paid. The authorized charter capital of the entity shall be fully paid by the founder until the entity is registered. When new shares are issued after the establishment of an enterprise, the additional authorized capital of the entity may not be paid for a certain period of time. At this time, the unpaid portion of the capital must be registered as unpaid charter capital. If the amount of charter capital paid on the reporting date is calculated, the amount of unpaid charter capital should be deducted from the amount of issued authorized capital recorded in equity. Only paid-in share capital is recognized in the balance sheet at the reporting date and presented in the statement of changes in equity and the remaining unpaid share capital should be stated separately in the statement of changes in equity. In the

form of non-monetary assets, the owners' equity investments are measured at the fair value of these assets. If the fair value of these assets is higher than the nominal value of the shares, then the difference between these two values should be treated as emission revenue, otherwise (excluding legislation). Paid-in capital may be reduced by the decrease in the nominal value of the shares issued by the entity or the retirement of the shares.

Emission revenue. When the issued shares are sold to an amount exceeding their nominal value, the entity obtains the emission income. Emission revenue is calculated as the difference between the actual fair value and the nominal value of shares and shall be accounted for as part of the entity's equity.

Emission concession. In the cases determined by the legislation, the issued shares can be sold for less than their nominal value. This is perceived as the issue of shares emission concessions. The amount of this emission discount should be recorded as follows:

(a) transferred from unadjusted income to paid-in share capital;

(b) If the remainder of the retained earnings is insufficient, the remaining unearned amount shall be recognized as unrecognized over the reporting period and disclosed in particular.

Undistributed earnings. Undistributed earnings (unpaid losses) accumulated in the current and prior periods are recognized as a component of equity. The undistributed profits (unpaid losses) of the current period are determined after preparing the Statement of Earnings for the period. Unrealized gains (unearned losses) of the current year are estimated at the total amount deducted from net profit for the reporting period, taking into account the capital transfers and transfers from equity. Cumulative unearned income (unpaid losses) reflects the cumulative gains (unpaid losses) of all previous periods. Undistributed profits can be distributed among owners (stockholders). This accumulated profit is classified as a separate component of equity in the financial statements.

Capital reserves. Capital reserves are part of the earnings capital that is maintained for certain purposes of the entity, including the unused amount of the other direct expense recognized directly in equity and the net gains attributable to the specific purposes and which can not be distributed between the owners (stockholders) . Capital reserves are generated in the form of deductions from net profit in accordance with legislation requirements, enterprise charter and enterprise management decision. Reserves created for specific purposes can not be used for other assignments. If the entity achieves the objective of generating the inventory, or when the purpose is changed, those reserves shall be added to the unadjusted gains.

Shareholding costs. After deducting profits from the disposal of an entity's equity, the remaining amount should be treated as a direct reduction in equity. The costs of issuing unsuccessful shares and other equity instruments shall be recognized as the expense of the relevant period.

Presentatıon and explanatıons

An entity shall present a statement of changes in equity that reflects the amount and nature of changes in equity during the reporting period.

Equity components should be presented separately in the financial statements as described in this Standard. The classification of equity items in the balance sheet and the Capital Changes report should allow the user to evaluate the entity's equity capital, the composition and composition of the equity, and the separation of the separate components of the equity.

Information about the following changes in equity during the period shall be included in the statement of changes in equity:

(a) net gains or losses during the period;

(b) income and expense directly recognized in equity in the form of separate items and in the aggregate amount;

(c) total revenues and expenses for the reporting period (total amounts presented in paragraphs (a) and (b)), showing separately the shares of the parent and minority owners;

(d) the total amount of changes in accounting policies and significant errors that have been recorded as adjustments to prior years' retained earnings in accordance with relevant NASCOs;

The following information shall be disclosed directly or indirectly in the Statement of Changes in Equity:

- equity share ownership and equity share ownership transactions with owners;

- balances outstanding at the beginning and end of the reporting period and changes to that item during the reporting period;

- Alignment of each component of equity (separately on equity classes) and the balance of each capital reserve at the beginning and end of the reporting period and changes in these items during the reporting period.

2.4. The current form of format and formulation of the cash flow statement.

The accompanying cash flow statement is adjusted in accordance with IFRS 7 and IAS 5 Cash and Cash Flow Statement. The objective of the Standard is to designate a cash and cash flow statement that includes information that enables users of financial statements to assess the entity's ability to generate cash and cash equivalents during the period and the need to use cash and cash equivalents.

Basic concepts

Cash outflows are cash held in bank accounts and may be demand deposits.

Cash equivalents are highly liquid investments that have short-term maturity, which are readily convertible to known amounts of cash and are subject to a change in value.

Cash flows are cash receipts and disbursements of cash equivalents.

Operational activities are other than the entity's key operating income, as well as its investment activities and financing activities.

Investment activity is the acquisition and disposal of investments not related to long-term assets and cash equivalents.

Financial activities are activities that result in changes in the amount and composition of the entity's paid-in capital and borrowed funds.

Bank bonds are usually considered as financing activities. However, in some countries, overdue bank overdrafts are an integral part of the enterprise's cash management. In such circumstances, bank overdrafts are treated as cash equivalents. The typical feature of such contracts with the Bank is the change of the bank account balance from positive to negative.

In the cash flow statement, the cash flows shall be reported in the statement of cash flows for the period covered by operating activities, investment activities and financing activities. An entity presents cash flows from operating activities, investment activities and financing activities in a manner that is more appropriate to its operation. Classification by type of activity provides information that enables users to evaluate the impact of these types of activities on the entity's financial position and the amount of its cash equivalents. This information is used to evaluate the relationships between the types of activities and activities. The same transaction may include different classification of cash flows. For example, when incurring interest and principal amount of a debt, the part of the debt that is included in the debt is classified as investment activity, and its principal amount is classified as financing activities.

Operational activities. The amount of cash flows from operating activities is the dominant indicator of the cash flows generating sufficient cash flows to pay off the entity's operations, maintain the enterprise's operating ability, pay dividends and make new investments without resorting to external financial sources. Information about specific components of past cash flows from past operating transactions is useful when forecasting cash flows from future operations in a business combination. Cash flows from operating activities arise from the entity's principal revenue-generating activities. Hence, as a rule, they are the result of transactions and other incidents that are considered when calculating net gains or losses. The following examples of cash flows from operating activities can be summarized:

(a) cash inflows resulting from the sale of goods and services;

(b) cash inflows from royalties, fees, commissions and other income;

(c) cash payments to goods and services suppliers;

(d) cash payments to employees and their behalf;

(d) cash receipts and payments in the form of insurance premiums or claims, annual payments and other premiums;

(e) the offsetting of profit tax or cash payments that can not be attributed to investment activity and financing activities; and

(b) cash receipts and payments of contracts held for trading or for trading purposes;

Investment activities. Separate disclosure of cash flows from investing activities is of paramount importance because it reflects the costs incurred to generate future cash flows and future cash flows. Only expenses that result in the recognition of the asset in the statement of financial position are eligible for classification as investment activity. The following examples of cash flows from investing activities can be summarized as follows:

(a) cash payments to obtain property, plant and equipment, intangible assets and other non-current assets. These payments include payments made by the entity on capital, buildings and equipment, and capital expenditure on projects;

(b) cash from the sale of property, plant and equipment, intangible assets and other non-current assets;

(c) cash outflows received for the acquisition of equity instruments of a parent or a joint venture (other than cash flows that are accounted for as cash equivalents or for instruments intended for trading purposes);

(d) cash receipts from the sale of equity instruments of a parent or joint venture (other than cash inflows accounted for as cash equivalents or for instruments intended for trading purposes);

(d) advance payments and credits provided to other parties (excluding advance payments and credits provided to financial institutions);

(e) cash inflows (other than cash and cash equivalents of financial institutions) arising from the repayment of advance payments and advances to other parties;

(b) cash payments on futures, forward, option and swap contracts, except where such contracts are classified as held for trading or are held for trading purposes and that payments are classified as financing activities; and

(f) Cash inflows on futures, forward, option and swap contracts, unless such contracts are held for contracting purposes or are held for trading purposes and are classified as revenue from financing activities.

Financial activities. Disclosure of cash flows from financing activities is of paramount importance to predict the requirement for future cash flows by the investing entity. The following examples of cash flows from financing activities can be summarized:

(a) cash inflows from the issuance of shares and other equity instruments;

(b) cash payments to owners for the purpose of acquiring or redeeming the entity's shares;

(c) cash receipts from unsecured bonds, debt securities, promissory notes, bonds, collateral and other short-term and long-term debt;

(d) cash payments for debt amounts; and

(d) the lessee's cash payments to reduce its unfulfilled obligation on finance leases.

An entity shall prepare a cash flow statement using one of the following methods:

(a) a direct method of disclosing information about the major types of net cash inflows and outflows; or

(b) the results of non-cash transactions, net of deferred or past due and past due and future cash inflows or losses, as well as items of income or expense from cash flows from investing activities and financing activities an indirect method that allocates profit or loss.

Businesses are encouraged to prepare cash flow statements directly on a method. This method allows entities to present information that is useful for assessing future cash flows and which is not available indirectly. Information on the net receipts and types of cash outflows can be obtained from the following sources when using the direct method:

(a) the entity's accounting records; or

(b) adjusted to the proceeds from sale, the cost of the sale (interest and similar income for financial institutions, interest and other similar expenses), and other items of the statement of comprehensive income, taking into consideration:

(i) changes in inventories and operating receivables and payables during the period;

(ii) other non-cash items; and

(iii) other items that generate cash flow from investing activities and financing activities.

When using the indirect method, the net cash flows from operating activities are determined by adjusting net gains or losses, taking into account the following:

(a) changes in inventory and operating receivables and payables during the period;

(b) non-cash assets such as depreciation, deferred liabilities, deferred taxes, unrealized gains and losses arising from operations in foreign currencies and unspent earnings of associates; and

(c) all other items that result from cash flows from investing activities and financing activities.

Information about the net cash flows from operating activities can be presented as an alternative, by the use of the indirect method, through the revenues and expenses presented in the statement of profit or loss, changes in inventories and operating cash flows during the reporting period

a) When assets increase, cash is reduced, and assets are diminished, cash is increased;

b) If the liabilities increase, the cash flow increases, and the liabilities decrease, the cash flow decreases;

c) If private equity increases, cash is increased, and the amount of special capital decreases, cash is reduced.

When summarizing all these statements, it is advisable to prepare cash flow statements directly in the entity. This method allows businesses to present information that is useful for valuation of future cash flows and can not be provided indirectly. That is, the direct method reflects relatively broader information on the indirect method. However, the direct method of calculating cash is less applicable in practice because it is a more complex and time-consuming

process. Currently, in most businesses, this method is used because the indirect method of calculating cash and compiling the report is cheaper and easier.

2.6. Directions to improve financial reporting.

There are two main areas of improvement of accounting and financial reporting in accordance with the requirements of the modern level of economic development:

1. Adjusting accounting to international standards;

2. Application of computer accounting in enterprises and organizations.

Accounting is considered a business language. This language is very important for businessmen from different countries. The most optimal version of this understanding is the harmonization of financial statements with International Financial Reporting Standards (IFRS). These standards include rules governing the recognition, measurement and disclosure of financial and operational transactions for the preparation of financial statements of companies around the world. The main objective of the standard is to facilitate the right decision-making process for financial information users. International Financial Reporting Standards are primarily an important part of the accounting regulatory framework. Thus, International Financial Reporting Standards are a set of global accounting standards that are of high quality, easily understood and applicable. The key point here is that if all enterprises in the world use the same standards, their financial statements can also be compared to each other.

The need to improve the reporting of international standards is linked to the following factors:

a) To avoid significant manipulations and mistakes in financial statements - many important economic decisions are adopted on the basis of financial statements. However, financial statements may be exposed to manipulations and errors. In

order to avoid manipulation of figures in financial accounts, there is a need for the recognition of what items in the financial statements, how they measure (evaluate and control the disclosure of what information about them);

b) It is not a matter of accounting to ensure that the items are consistently reflected in the financial statements, and if so, there is no reason for them to be disclosed, regardless of who has carried out the results. Thus, any figure in accounting (for example, profit or loss) may be very different from that calculated by another accountant, depending on the subjective assumptions of the accountant who calculates it. The key point here is that it is possible to make the users make the right decisions by making broad statements in the financial statements.

c) In order to stimulate global harmonization, this is the result of the first two reasons. Although accounting activities are not regulated globally, separate companies in different countries have their accounting records based on different rules. This also creates difficulties for global harmonization. The process of global harmonization requires transformation into international standards. Improving financial reporting based on these standards promotes global trade and global economic growth. In general, financial reporting improvements to IFRSs have some advantages. Includes:

• Provides easy compilation of consolidated reports of international corporations;

• Facilitates investors to transfer capital from one country to another;

• Provides comparability of accounting records among companies around the world;

• Based on accurate economic logic;

• Provides generalization of the best modern world practice in the accounting industry;

• The ability of financial reporting users around the world to understand these reports more easily (financial accounting) computerization concept requires the

need for accounting for all businesses in a computer, use of software licensed only by the relevant executive authority in computer accounting, connecting the enterprise to the country's internal network must be reflected.

When licensing computer accounting software, they must meet the following requirements:

1. The program must work in the Azerbaijani language, ensure that all registry records, financial statements forms, as well as reports and tables relating to managerial records are compiled in Azerbaijani language,

2. The software shall fully cover the accounting treatment in the entity in which it is applied,

3. The program must be able to connect to the country's internal computer networks.

The use of licensed computer accounting software that meets the above requirements during computerization of accounting in enterprises and organizations can lead to further development of accounting in the country. It is advisable to carry out the following activities in order to improve accounting in enterprises and organizations in accordance with the requirements of new standards in modern time:

1. Developing guidelines for the application of accounting records;

2. Publication of each National Accounting Standard;

3. Preparation of appropriate guidance on the publication and preparation of financial statements;

4. Providing assistance in providing highly qualified consulting services to enterprises in applying National Accounting Standards;

5. Encouraging the publication of works on encouragement and research of the new accounting model and the National Accounting Standards;

6. Licensing of financial accounting software;

7. Organization of licensed computer accounting programs in higher education institutions;

8. Organization of accounting standards and computer accounting in higher economic schools;

9. Improvement of professional accountants and organization of training courses for teaching them rules of International and National Accounting Standards, including the use of computer accounting in the enterprise, etc.

Conclusions and suggestions.

One of the main challenges facing market relations is to carry out financial analysis in the activities of economic entities in line with the current and current legislation. Existing diploma work also involves the financial analysis carried out in the activities of these economic entities, the methods used in its implementation and the improvement of these methods. The main objective of accounting is to help its users, business owners, its owners, shareholders, investors, lenders and other users to make informed economic decisions on economic activity by forming information related to enterprise activity. Therefore, accounting information for each enterprise should be highly valued in economic decisions, must be strictly valid, and should be comparable to those of a business or other entity, and should be clear to users. In the market economy, the following important tasks have been set before the financial statements:

1. The report should meet the requirements of the market economy and international standards and be set up in accordance with it;

2. Indicators of the report should be reliable, consistent, accurate and comparable;

3. The report should be simple, understandable and compiled at specified times and should be submitted in accordance with the appointments.

The application of the conceptual framework of accounting covers the basic principles, methods applied during the preparation and use of various forms of financial reporting. These principles include the continuity of business activity, importance, timeliness, dual writing, prudence, fair presentation, inherent advantage, and so on. principles can be attributed. Thus, the conceptual framework of accounting records provides transparency and accountability of financial statements. The transparency of financial statements enables the entity to make informed financial information available to its users, and to ensure that the information about the entity's current position, decisions and activities is properly communicated and understood, and responsibility is handled by those charged with preparing financial statements and bear responsibility for the decisions made.

As a result of the research, the following conclusions and recommendations have been made to improve the existing financial reporting system in our country:

1. Guidance on the application of an accounting plan should be developed and a description of each National Accounting Standard should be published;

2. Relevant guidelines on the publication and preparation of financial statements should be developed;

3. Accounting standards and computer accounting should be organized in universities;

4. Periodic monitoring should be arranged to check the professionalism of accountants;

5. Training courses should be arranged to improve accountants' skills and to teach them the rules of the International and National Accounting Standards.

6. International and national standards should be interrelated and harmonized with international standards at the maximum possible level;

7. Since the application of accounting standards has played a crucial role in managing the country's economy, the budget should be allocated to finance activities in this area;

8. Accounting software should be licensed;

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