

**MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN
AZERBAIJAN STATE ECONOMIC UNIVERSITY
INTERNATIONAL MAGISTRATE AND DOCTORATE CENTER**

**“Reporting and Taxation issues of agricultural products production companies
in Azerbaijan”**

MASTER DISSERTATION

BAKU-2020

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN
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Head of the Center

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**MASTER DISSERTATION
ON THE TOPIC**

**“Reporting and Taxation issues of agricultural products production companies
in Azerbaijan”**

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BAKU – 2020

Oath of science

I Lamiya Mammadova swear that I have written my master's dissertation on “Reporting and Taxation issues of agricultural products production companies in Azerbaijan” in full compliance with scientific ethics and rules of reference and reflecting all the sources I use in the bibliography.

"Azərbaycanda kənd təsərrüfatı məhsulları istehsal edən şirkətlərdə hesabatlıq və vergi məsələləri"

Mövzunun aktuallığı: Bu gün Azərbaycan Respublikasında əsas məsələlərdən biri makroiqtisadi sabitliyi təmin etmək, iqtisadiyyatın bütün sahələrində, o cümlədən kənd təsərrüfatında dinamik inkişaf yaratmaqdır. Davamlı və rəqabətli kənd təsərrüfatının inkişafı dövlətin iqtisadi siyasətinin prioritet istiqamətidir. Kənd təsərrüfatında aqrar qiymət siyasəti sektorun dinamik inkişafı üçün zəmin yaratmağa yönəldilmişdir.

Tədqiqatın məqsədi: Dissertasiyanın məqsədi Azərbaycanda kənd təsərrüfatı məhsulları istehsal edən şirkətlərin vergi və hesabat sistemindəki problem və çatışmazlıqları ətraflı araşdırmaqdır. Hazırda kənd təsərrüfatı şirkətlərində hesabatlılıq və şəffaf vergi sistemi ilə bağlı bir çox problem var.

İstifadə olunan tədqiqat metodları: Bu işdə statistik analiz, sintez, müqayisə, dinamika, qruplaşdırma tədqiqatı metodlarından istifadə edilmişdir.

Tədqiqat məlumat bazası: Tədqiqatın nəzəri - metodoloji əsası Respublika Prezidentinin fərman və sərəncamları, kənd təsərrüfatının inkişafını təmin edən qanunlar, hökumətin qəbul etdiyi normativ hüquqi aktlardır.

Tədqiqat məhdudiyyətləri: Tədqiqatın əsas məhdudiyyətləri kənd təsərrüfatı müəssisələri haqqında statistik məlumatların olmaması və fermerlərin maddi durumu və maliyyə nəticələri haqqında dəqiq məlumat əldə etməkdə çətinlik çəkmələridir.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Magistrlik dissertasiyasının əsas elmi yeniliyi ölkəmizin kənd təsərrüfatında uçot və vergi sisteminin mövcud vəziyyətinin qiymətləndirilməsi və digər ölkələrlə müqayisəli təhlil edilməsidir.

Nəticələrin istifadə oluna biləcəyi sahələr: Tədqiqatın nəticələri Azərbaycan Respublikasında fəaliyyət göstərən kənd təsərrüfatı müəssisələrində və təsərrüfatlarında uçot qaydalarının təkmilləşdirilməsinə imkan verəcəkdir. Eyni zamanda, kiçik müəssisələri vergi uçotuna cəlb edəcək və vergi güzəştlərindən daha səmərəli istifadəni təmin edəcəkdir.

Açar sözlər: kənd təsərrüfatı istehsalı, inkişaf, potensial, vergitutma

“Reporting and Taxation issues of agricultural products production companies in Azerbaijan”

Actuality of subject: One of the key issues in the Republic of Azerbaijan today is to ensure macroeconomic stability, to create dynamic development in all sectors of the economy, including agriculture. Sustainable and competitive agricultural development is a priority of the economic policy of the state. Agrarian price policy in agriculture is aimed at creating the basis for the dynamic development of the sector.

Purpose of research: The objective of this dissertation is thorough investigation of agricultural product production companies in Azerbaijan reveal the problems and shortcomings of their taxation and reporting system. At present agricultural companies have many problems with accountability and transparent tax system.

Research methods used: Methods of statistical analysis, synthesis, comparison, dynamics, grouping research were used in this study.

Research database: The theoretical - methodological basis of the research is the Decrees and Orders of the President of the Republic, the laws ensuring the development of the agricultural sector, the normative legal acts adopted by the Government.

Research limitations: The main limitations of the study are the lack of statistical data on agricultural enterprises and the difficulty in obtaining accurate information on the financial status and financial results of farmers.

Scientific novelty and practical results of the research: The main scientific novelty of the master's dissertation is the assessment of the current state of accounting and tax system in the agricultural sector of our country and comparative analysis with other countries.

Areas where the results can be used: The results of the research will allow to improve the rules of accounting in agricultural enterprises and farms operating in the Republic of Azerbaijan. At the same time, it will involve small businesses in tax registration and ensure more efficient use of tax benefits.

Keywords: agricultural production, development, potential, taxation

ABBREVIATIONS

GDP - Gross Domestic Product

IFRS – International Financial Reporting Standards

FADN – Farm Accountancy Data Network

EAIS – Electronic Agriculture Information System

FAO – Food and Agriculture Organization

WTO – World Trade Organization

NAS – National Accounting Standards

IAS – International Accounting Standards

OJSC – Open Joint Stock Company

VAT – Value Added Tax

SMEs – Small and Medium-sized Enterprises

SIS - Subsidy Information System

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Introduction

Actuality of subject. Agricultural sector is the one of most widespread industry in recent years. Compared to previous years, the role of agriculture in the non-oil sector has been particularly prominent in recent years. Since independence, the development of this sector has been steadily increasing, with the recent increase in production, and its share in GDP. The use of state-of-the-art technological equipment in the production process of agricultural products has contributed to the development of this sector from year to year. The attraction of foreign investors to this sector has led to a significant increase in production in recent years. The policy pursued by the President of the country to implement sustainable agriculture plays an important role. In the economy of the Republic of Azerbaijan, the non-oil sector has a special place and share in the economic sectors, especially in the agricultural sector.

The importance of agrarian sector development is undeniable in the formation of the country's economy, ensuring its development, realizing its access to the world market, having a domestic market that can meet the needs of the local population, reducing its dependence on other countries. One of the most important processes is the government's focus on this area and providing financial support to stimulate sustainable development. It is known that our country is rich in oil resources. From an economic point of view, focusing only on this area can lead to economic decline after a while. Because only using oil reserves and refining can provide the country with a normal life expectancy of almost 30 years, which, of course, cannot be assessed positively for the future goals and development of any country. That is why it is important to eliminate the country's economy's dependence on the oil sector and to focus on the non-oil sector.

Problem setting and level of learning. The problems in reporting and taxation system of agricultural products production companies are main issues in agricultural sector of Azerbaijan. For this reason, to research these problems is necessary in order to obtain overall information about current situation of agriculture and contribution to find ways

to improve reporting and taxation system of agricultural companies. The reporting and taxation issues of agricultural production has been studied in the scientific works of our economists who have conducted research on the problem. Numerous research studies have been devoted to the study of the problem of pricing for agricultural products.

Research Aims and Objectives. The objective of this dissertation is thorough investigation of agricultural product production companies in Azerbaijan reveal the problems and shortcomings of their taxation and reporting system. At present agricultural companies have many problems with accountability and transparent tax system. Observations show that the application of tax deductions increased agricultural production, more favorable investment environment positive effect on creation of competitive export potential.

In addition, it has also contributed to lower tax discipline. The main purpose of writing this dissertation is to find ways to ensure accountability and transparency in the agricultural sector and develop proper accounting and reporting system for agricultural companies.

Object and subject of research. The object of this study is reporting and taxation system of agricultural product production companies in Azerbaijan. The subject is investigation of problems in reporting and taxation system of agricultural companies and improvement of agricultural sector.

Research methods. Methods of statistical analysis, synthesis, comparison, dynamics, grouping research were used in this study.

Theoretical-methodological base of research. The theoretical - methodological basis of the research is the Decrees and Orders of the President of the Republic, the laws ensuring the development of the agricultural sector, the normative legal acts adopted by the Government. The dissertation consists of relevant statistical data of the Ministry of Agriculture of the Republic of Azerbaijan, the State Statistical Committee of the

Republic of Azerbaijan, the Ministry of Economy of the Republic of Azerbaijan, as well as scientific research works of scientific institutions and research institutes was used.

Research limitations. The main limitations of the study are the lack of statistical data on agricultural enterprises and the difficulty in obtaining accurate information on the financial status and financial results of farmers.

In addition, the ability to obtain accurate information on the districts is poorly documented because of the fact that certain agricultural products that are planted and cultivated in the regions in the region each year are not accurately documented.

Scientific novelty of the research. The main scientific novelty of the master's dissertation is the assessment of the current state of accounting and tax system in the agricultural sector of our country and comparative analysis with other countries.

In general, the novelty of the research is as follows:

1. Ways to apply the experience of international organizations and developed countries in our country to increase the efficiency of accounting in agro-industrial enterprises were studied.
2. The effectiveness of tax incentives in the agro-industrial sector in modern economic conditions has been studied and evaluated.
3. The issues necessary for achieving sustainable development of the accounting and tax system, especially in the agro-industrial sector, have been studied.

Practical significance of results and areas of application. The use of the results of the research will allow economic entities to accurately reflect their financial reports and eliminate the problems with local tax legislation and more fully justify the management decisions to be made. Achieving competitive development in the agricultural sector depends on the effective neutralization of risks posed by decisive socio-economic

conditions. Economic risks that negatively affect competitive development in the agricultural sector are largely due to changes in market conditions. This is reflected in the decline in agricultural production, income and investment.

The results of the research will allow to improve the rules of accounting in agricultural enterprises and farms operating in the Republic of Azerbaijan. At the same time, it will involve small businesses in tax registration and ensure more efficient use of tax benefits. This will play an important role in making enterprises more efficient, making more profit in their future activities and attracting investment.

I. Agricultural sector in Azerbaijan and its role on country's economy

I.1 Current situation of agricultural sector in Azerbaijan and its impacts in economy

Agriculture is one of the foremost important divisions of the economy in Azerbaijan, a nation that is considered to be one of the most punctual sites of human agrarian activity.

Today, the rural division utilizes over 37% of the dynamic labor force of the nation. The ripe lands, plenitude of water and climatic differences make positive conditions for a solid agricultural sector. The presence of nine climatic zones permits the nation to produce an assortment of rural items and gives modern openings for the presentation of modern sorts of merchandise. Being one of the leading makers of rural products within the CIS, Azerbaijan looks for to further create its horticulture and nourishment industry for moment substitution as well as for trade.

Azerbaijan has 4.8 million hectares of rural arrive, which comprises over 50% of its add up to region, of which 39.6% is arable. Crop production accounts for around 50.1% of rural production with animals cultivating making up the remaining 49.9%. Meanwhile, the food-processing division constitutes a critical component of the national economy and accounts for over 38% of add up to fabricating industry. Besides, Azerbaijan exchanges expectation in rural and nourishment items. Customarily the most goal and the largest buyer of rural and nourishment sends out has been the CIS market, but in later a long time this showcase has extended to incorporate many other nations in Europe, Asia and the Americas. The most export products are new vegetables and natural products, vegetable and creature oils, sugar items, tea, prepared vegetables and natural products, refreshments, tobacco products, cotton and others The a long time of quick financial growth in the national economy have driven to a quick development

in consumption and changes in buyer tastes within the nourishment and refreshments sector.

Consumption of agrarian products and nourishment items in numerous categories has developed by more than 50% within the final ten a long time. In some selective categories this figure is around 200%. Residential generation of the most nourishment items has, be that as it may, fallen short of assembly showcase request. In arrange to diminish the reliance of the household nourishment showcase on imported items and to create reliable nourishment saves, the nation has taken a number of measures to make strides the commerce and speculation climate in this division by incentivizing makers, giving appropriations, and making a firm organization and financial premise for encourage development. To this reason, the “State Program on the Dependable Supply of Food Products to the Populace for 2008-2015” was drafted and signed into law in 2007. The most objective of the program is the subjective and quantitative increment in generation of rural and food products to guarantee the country’s nourishment security. Having incredible potential for improvement, the largest extend of venture motivating forces and tall financial benefit, the agriculture and food-processing division remains one of the foremost alluring for investment within the economy of Azerbaijan.

In line with government arrangement, the Azerbaijani economy is slowly progressing the non-oil division, which is dependable for most of the net residential item. Farming has been assigned a need in this drive for financial differences. Of course farming takes numerous shapes and without comes about and advance in all ranges it cannot contribute viably to the improvement essential. The address is: what should be done? In truth changes to the agrarian division in Azerbaijan started within the 1990s and they proceed still. In any case, they have not however created the specified comes about; advancement remains uneven. Without a doubt, in certain conventional regions of agribusiness it has ground to an end. We are considering here of the development of tobacco, silkworms and nuts, indeed in spite of the fact that Azerbaijanis have been

working these areas for centuries. The ripe soils, climate and geology (permitting simple get to outside markets) have continuously been positive for these segments. But this has not been the case within the later period. Taking after the collapse of the Soviet Union, the cultivation of crops within the country's agrarian segment slowed down. In spite of the fact that more noteworthy advance has been made in numerous other regions of agribusiness since reestablished freedom, no consideration was given to non-food crops. All speculation and, essentially, foundation were centered on ensuring nourishment security; there was no intrigued within the development of other plants. The Azerbaijani government has continuously kept the advancement of the agribusiness division in center. This division plays a critical part within the long-term and maintainable advancement of the country's economy, in financial expansion and nourishment security, territorial advancement, as well as the decrease of destitution and unemployment. Head of the Presidential Administration's Agrarian Approach Division Azar Amiraslanov made this explanation at the conference "Heydar Aliyev 90: Financial Modernization" final week.

The official said the foundation of agroparks, specialization of zones on generation of rural products, and presentation of data advances within the prepare of generation of rural create have been characterized as the need headings of the state approach on the improvement of the agrarian division in Azerbaijan. Also, arrive change, improvement of towns, bolster and improvement of rustic foundation and change of agrarian administration were cited among the needs.

The accentuation is additionally set on expanding efficiency, specialized and innovative reestablishment, development and broadening of agrarian trades, productive organization of state bolster, enhancement of the instrument for subsidizing, advancement of huge ranches, arrangement of back to little ranches and advancement of productive segments.

Agribusiness of the Republic of Azerbaijan is the moment, after the oil industry, the biggest division of the economy of this nation. So, it is maintainable, adjusted advancement is the premise of moving forward the welfare of the individuals. More than half of Azerbaijan's domain is possessed by mountains. Soak inclines and climatic conditions favor the development of erosive forms, causing natural corruption Wednesday, which in turn covers the complete region, which is at chance, but intensely utilized in agrarian purposes. Encourage anticipated development in rural generation will involve reinforcing the antropopresii and the indeed more prominent threat of corruption of soil assets. Subsequently the crave of the various methods (legitimate and financial components, instruction) to the adjusted utilize and their security in agrarian zones.

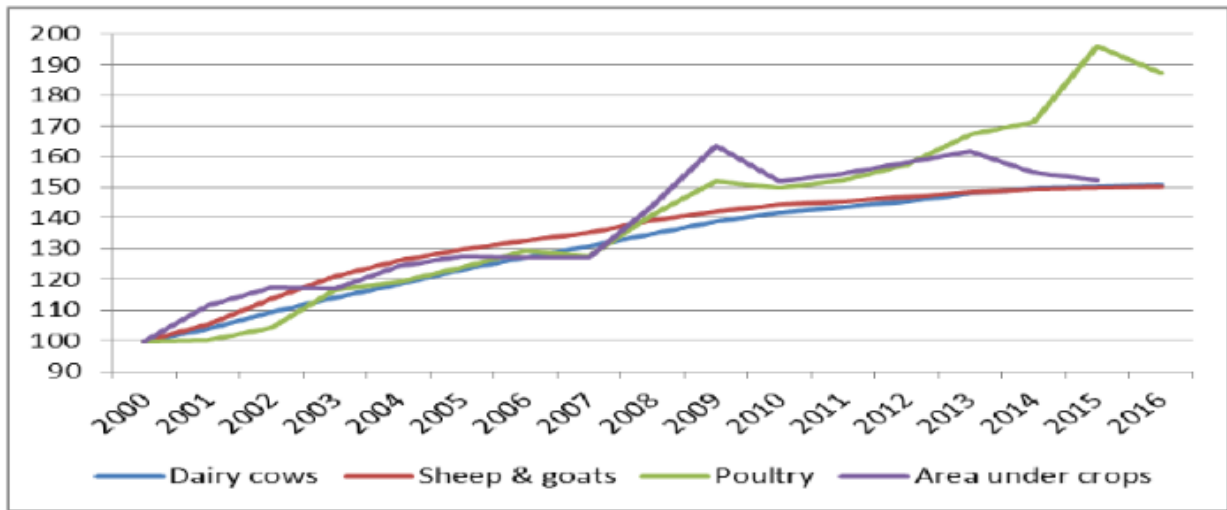
The holding of the joint Polish-work and inquire about on application of GIS innovation to analyze components and survey the threat of soil disintegration in Azerbaijan and the comes about are the premise for the preparation of the logical benefits, setting forward fundamental provisions on assessment and soil anti-erosion techniques. The Handbook presents common characteristics of characteristic conditions Azerbaijan and range thinks about. It contains data on the factors contributing to the advancement of disintegration. On this basis, represented by agri-environmental quirk of dissolved soils, their classification and mapping in Azerbaijan. Rural lands possess 50% of the full range of the country (including arable land-18.4%, glades and pastures-25.0%), agribusiness utilizes approximately 18% (2005, 2011) the working-age populace lives in country zones and 48 per cent of the occupants of the Republic. Taking under consideration the current level of agrarian generation, soil rural locales of Azerbaijan were subjected to intense disintegration forms. The holding of the joint Polish-work and inquire about on application of GIS innovation to analyze variables and evaluate the threat of soil disintegration in Azerbaijan and the comes about are the premise for the preparation of the logical benefits, setting forward fundamental provisions on

assessment and soil anti-erosion techniques. The Handbook presents common characteristics of common conditions Azerbaijan and region considers. It contains data on the factors contributing to the advancement of disintegration. On this basis, represented by agri-environmental quirk of disintegrated soils, their classification and mapping in Azerbaijan. The database made and collected in it have been connected to different spatial investigations for person parameters of the terrain, soil structure and soil maintainability appraisal to the leachate may run off. The figures utilized to perform GIS innovation maps threat from disintegration and spatial characteristics of herbaceous arrangements and pohotnik arrive on location inquire about. An expansive portion of the manual is given to strategies of protection of soil from disintegration. It presents distinctive sorts of soil conservation activities of green and arable arrive for their application, as well as to set out briefly the address of security of water related to erosive processes. A critical issue with erosion-preventive security of the soil, is to extend the richness of winter pastures, which make a dense grass. In bone-dry precipitous zones of extraordinary significance is the utilize of water system advances, constraining soil washout. Accomplishments in this area are portrayed within the underneath materials that will encourage the use of GIS innovation for considering and recording the disintegration wonders in other locales of Azerbaijan, and development among agronomists and disintegration control experts information and anti-erosion measures on soil preservation. Azerbaijan could be a net-importing nation of agrarian and nourishment items. In later a long time, costs for the country's fundamental outside money source – fossil oil and characteristic gas – drastically declined. Against this foundation, the state's government yearns to improve the commerce climate for the advancement of a competitive agrarian and nourishment division that would contribute, among others, to reinforcing the country's nourishment security and improving its provincial welfare (Key Guide on Agriculture, 2016). An extra vital objective is to extend household generation potential for either purport substitution or extension of sends out. This report assesses advertise prospects for Azerbaijan's current agrarian and

nourishment items. It moreover evaluates the hector's potential to utilize its generation capacity in reaction to distinguished advertise openings. The report's objective is to supply a brief diagram of the sector's exercises, its qualities and what influences its capacity to utilize its advancement potential. More point by point sector-specific investigations are conducted in sector-specific reports (on dairy/beef, poultry, fisheries & aquaculture, natural products, vegetables and potatoes) that expound on this report's assessments showing product-specific discoveries and suggestions for future venture openings. The structure of the report is as takes after. Segment 2 appears the sector's cultivate structure. Area 3 presents generation patterns and generation utilize since the starting of the 2000s, taken after by an examination of Azerbaijan's current rural exchange position and fundamental exchange accomplices in Segment 4. Segment 5 assesses future request prospects for rural and nourishment items at Azerbaijan's residential showcase and at its most imperative send out markets. Area 6 addresses how Azerbaijan might react to the distinguished advertise openings, examining and weighing the most components deciding the sector's competitiveness. The rural segment of Azerbaijan produces a wide assortment of items. Most critical crops (in terms of volume) are cereals (wheat, grain, maize), potatoes and (other) vegetables, natural products (counting melons, grapes and berries), though in animals exercises the generation of drain, hamburger, sheep and goat meat, poultry meat and eggs win. Depending on the normal climatic conditions within the districts, trim and cultivation items are basically delivered by water system or rain-fed.

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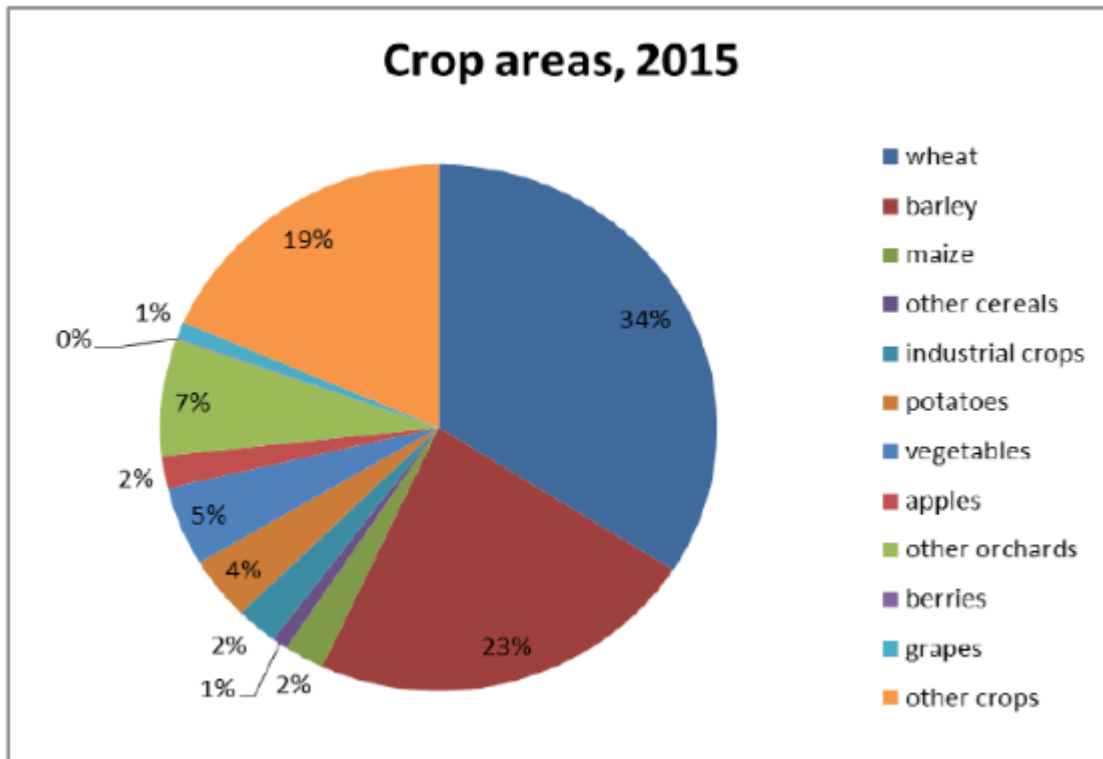
Figure 1. development in number of livestock and area under crops



Source: <https://www.stat.gov.az/>

Figure 1. appears the improvement of the ranges beneath crops and the number of the major sorts of animals in Azerbaijan since 2000. Over the final 15 a long time edit zones have expanded by fair over 50%. The increment within the numbers of dairy bovines and sheep & goats is within the same extend. Poultry numbers have expanded indeed by 90%. These numbers appear that both the animals and the edit segment in Azerbaijan have extended over the period considered. This segment proceeds by enumerating and clarifying the later patterns by demonstrating generation advancements of the sector's primary crops and sorts of creature generation.

Figure 2. Crop areas, 2015



Source: <https://www.stat.gov.az/>

As Figure 2. appears, cereals are the major trim in terms of ranges beneath crops (60%). Cereal production comprises basically wheat (55% of add up to cereal generation in 2015), grain (35%) and maize (7%). 2016 production levels of cereals and utilize of cereals are displayed in Table 1. alongside the patterns since 2007 (displayed as a list, with 2007=100). Generation patterns for all three primary cereal crops have been positive since 2007, with wheat and maize generation approximately 40% higher than in 2007 and barley production indeed multiplied up to marginally less than 1 million tons in 2016. Cereals are primarily utilized for feed (grain and maize) and nourishment (wheat and maize) utilization. The generation of non-food/non-feed (e.g. bioplastic) items is still exceptionally moo (and not displayed here). Generation of wheat and maize in Azerbaijan is less than residential utilize, suggesting the country could be a net-importer of these two cereal types. Azerbaijan may be a little net-exporter of grain.

Table 1. cereals: production and domestic use

	2016 volume (1,000 tonnes)	Indices, 2007 = 100				
		2010	2013	2014	2015	2016
Wheat						
Production	1,800	97.5	137.7	107.8	125.6	137.9
Used for feed production	529	109.0	127.4	122.5	120.8	136.7
Used for production of foodstuffs	2,199	95.8	98.9	105.6	107.6	114.0
Barley						
Production	929	108.1	151.9	143.6	218.4	195.7
Used for feed production	831	135.5	155.8	172.6	218.4	208.0
Used for production of foodstuffs	12	161.6	155.1	180.8	226.3	207.0
Maize						
Production	224	86.0	131.6	128.7	135.3	141.6
Used for feed production	166	126.5	178.7	192.0	210.8	182.3
Used for production of foodstuffs	150	127.5	179.7	192.3	211.0	182.5

Source: <https://www.stat.gov.az/>

Azerbaijan's agrarian division is profoundly divided, meaning there are numerous little ranches with on average little plots of arrive. The enrolled number of agrarian makers in 2015 is around 1.2 million, together utilizing less than 2.2 million hectares of arrive (see Table 2. underneath). In Azerbaijan, agricultural producers are classified into three bunches: family ranches and family units, rural undertakings, and private proprietors and business visionaries. By distant the biggest gather (99% of add up to numbers) comprises of family farms, which contain person ranchers that are showcase arranged, and 'households' with agricultural land creating primarily for domestic utilization. Family ranches have as it were 2 ha on normal, out of which households have plots of 0.5 ha or less. The bigger ranches with more than 2 ha of arrive number about 250,000. This gather incorporates almost 2,000 open and private rural endeavors, and privately owned ranches with another lawful status. As the figures show, ranches with over 5 ha

rural land account for as it were 5% of all rural makers, however these ranches utilize 48% of all used rural land (Table 2.). The littler ranches with 2 ha or less number 900,000 in add up to. The ranges these families use so little that the generation is generally for possess utilize, with as it were little excess amounts promoted.

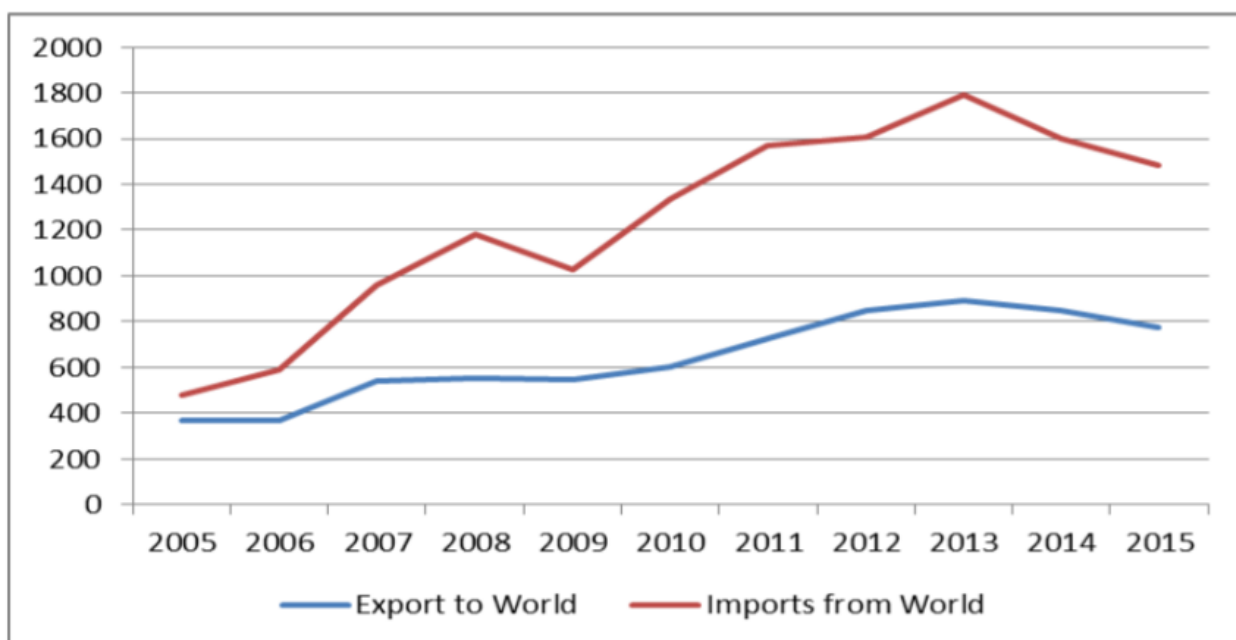
Table 2. Agricultural holdings by size classes of utilized agricultural area (2015)

Holding size, in ha	Number		Area	
	Absolute (1,000)	percentage	Absolute (1,000 ha)	Percentage
<0.5	510	44	72	3
0.5<2	406	34	446	21
2<5	199	17	598	28
5<20	44	4	345	16
20<	8	1	686	32
Total	1167	100	2,148	100

Source: <https://www.stat.gov.az/>

Azerbaijan could be a net-importer of cereals (wheat, rice and maize), potatoes (AZ utilized to be a net-exporter until 2011), meat (but poultry), dairy products, fish and vegetable oils. The nation could be a net-exporter of natural products and berries, and all sorts of vegetables. The by and large agrarian net-trade position (exports minus imports) of the nation is negative (see Figure 3.)

Figure 3. Net trade position of Azerbaijan agricultural sector (2005-2015, in million US\$).



Source: <https://comtrade.un.org/> Note: agricultural products according to WTO definition.

Azerbaijan's major imported items are cereals (23% of add up to imports in 2015), tobacco (20%) and sugar (10%) (See figure 1.3, right board). Major nations of root for cereals are Russian Alliance (90%) and Kazakhstan (5% of add up to in 2015). Sugar is imported in crude frame from Brazil and (fabricated) tobacco has its root primarily from Russian Alliance (65%) and Ukraine (30% of add up to in 2015). The relative position of these three item categories remained or maybe steady over the period 2005-2015. An item category that eminently expanded as share of add up to imports is live creatures (basically cattle), bookkeeping for nearly 4% of add up to imports in 2015 (Figure 3).

The increment in trades all through the period is basically due to expanded trades of (natural) vegetables (of which 90% is potatoes and tomatoes), creature or vegetable fats and oils, and sugars and sugar confectionery. These are Azerbaijan's major agrarian send out items (Figure 4.2, cleared out board). Sends out of vegetables are nearly solely to the Russian Alliance. That nation is additionally the major goal of Azerbaijan's natural product trades (75% of all natural product sends out) however Germany and

Italy are too a major send out showcase for Azeri natural product (which happens to be as it were new or dried hazelnuts, for all intents and purposes the as it were rural item the EU imports from Azerbaijan). Major trade goals of fats and oils (among other products from sunflower and cotton seed oil) are Georgia and Iraq.

Factors that influence current and future demand for agricultural and food products

As for nearly all nations within the world, the most outlet of the Azerbaijan agrarian segment is its household showcase. Remote markets are imperative as it were for a little run of natural product and vegetable items, in spite of the fact that Azerbaijan too trades sugars and a few other items in a moderately little amount. In this area, we depict a few of the most components specified within the writing as drivers of request for rural and nourishment items. The following two subsections assess the request prospects for Azerbaijan items on the residential and remote markets.

By and large, patterns in populace and macroeconomic development are vital drivers of request for rural items. The major drivers in demography are normal populace development (i.e., the proportion of births and deaths) and relocation (i.e., the contrast of entries and flights). Future world populace development is primarily decided by the improvements in birth and passing rates. At the territorial or national level net relocation is an extra figure. In past a long time, quick populace development has accounted for the bulk of the increment in nourishment request for agrarian items, with a littler impact from wage changes and other components. Future patterns, in spite of the fact that, demonstrate that the worldwide request for nourishment will be decided increasingly by the improvement of livelihoods per capita and less by the development within the populace (FAO, 2012; OECD-FAO, 2015). GDP development, in spite of the fact that, is jumpers among nations and districts and in most cases vacillates from year to year. The worldwide budgetary and financial emergency that begun in 2008 and the moderate recuperation from it in later a long time encompasses a solid effect on the

prospects for the coming a long time while desires on oil cost advancements are an extra vital calculate impacting macroeconomic development to fossil-fuel trading nations such as Azerbaijan and Russia. Demand patterns of the past demonstrate current inclinations of shoppers. Shopper inclinations in terms of nourishment cannot be caught on or anticipated by straightforward models: nourishment inclinations emerge from a combination of diverse variables and drivers, such as developing salaries, lessening in family estimate, expanding number of ladies within the workforce, changes in way of life (time weight), nourishment alarms, developing concerns for wellbeing and well-being and morals. Projections of nourishment utilization designs in Azerbaijan and other nations that are potential trade markets ought to construct on the advancement of the driving powers and the resulting changes in nourishment utilization over the final decade.

Two other angles influencing nourishment request ought to be specified in expansion to the over. One is that progressing urbanization, particularly in districts exterior the created nations, is anticipated to be a critical driver of the composition of nourishment request. Wealthier, urban populaces expend more creature based and prepared items, which call for more industrialized and long nourishment supply chains (e.g. UNEP, 2016).

A second viewpoint is that nourishment utilization is influenced by numerous more variables than as it was pay. Get to nourishment is profoundly decided by the nourishment environment, which is comprised of the physical and social environment that impact what individuals (particularly in urban zones) eat. Nourishment companies, eateries, nourishment merchants and retailers (such as grocery store chains) are effectively affecting this nourishment environment to entice individuals to form certain choices. This impacting may be in different ways, extending from publicizing, bundling, area, to making smells or introduction in shops or eateries. The nourishment environment too incorporates formal rules on naming, nourishment security and quality

prerequisites. Buyer concerns around nourishment security, wellbeing and natural impacts have driven in created nations to more rigid benchmarks on, among others, cleanliness, quality and pesticide utilize. This prepare of quickly developing and fixing nourishment guidelines and controls has had noteworthy impacts on the nourishment frameworks in created nations as compliance with guidelines includes ventures in generation and promoting strategies, as well as obligation understandings among showcase performing artists. Through universal exchange Azerbaijan has ended up progressively included within the journey for overseeing nourishment security. A well-functioning national nourishment security control framework and generation strategies that are in compliance with worldwide benchmarks are a major precondition for growing the rural sector's universal showcase position.

I.2 Agricultural products production companies in Azerbaijan and their reporting system

During the first 6 months of 2019, the total volume of agricultural production increased by 13% compared to the same period last year. 25.6% (1.77 billion manat) in crop production and 2.9% increase in animal production (1.9 billion manat). The share of agrarian sector in GDP has reached 5.6%.

In comparison with the corresponding period of the last year, potato production increased by 10.3%, cereal production (including maize) by 40.7%, vegetable production by 13.8%, fruit and berries by 21.1%, melons. Production increased by 37.5%. For 6 months of the current year 335,7 thousand tons of potatoes, 2541,7 thousand tons of grain (including maize), 675,1 thousand tons of vegetables, 125,2 thousand tons of fruits and berries, 54,8 thousand tons of melons were produced in the country. In the first half of 2019, there was a significant increase in livestock production in the country. Meat production increased by 3%, milk production by 2%, egg production by 4.5%, and wool production by 0.8%. In January-June, the country

produced 252.5 tons of live meat, 1,037.2 tons of milk, 926.9 million eggs and 14,600 tons of wool.

During 6 months of 2019 agricultural products worth \$ 411.8 million were exported. Exports of agricultural products increased by 27.9% compared to the same period last year. In January-June, the country exported potatoes and vegetables worth \$ 181.3 million, fruit worth \$ 137.2 million, cotton fiber worth \$ 75.7 million and tobacco raw materials worth \$ 6.4 million. Exports of fruit increased by 42.2% in January-June this year compared to the same period last year.

By July 1, 2019, the field harvested 798,100 hectares. 76.6% of the total grain crops were harvested, including 69.9% of wheat and 94.5% of barley. 1.6 million tons of wheat and 964.6 thousand tons of barley were harvested, which is 60.0% and 18.9% more than in the same period last year. As of July 1, wheat yield was 33.2 cents / ha and barley productivity 29.9 cents / ha, which is 2.3 cents / ha and 2.2 cents / ha more than in the same period last year.

In January-June, the republic supplied 636.6 tons of oil, which is 24% more than the same period last year.

Further development of agricultural production in the country topical in terms of increasing productivity, as well as improving productivity one of the issues is the small size of the majority of farms as well low level of their institutionalization. For fuel and motor oils per sowing area per hectare appeals to the Ministry of Agriculture 372 thousand although the average size of land owned by the producer is 3.4 hectares, the average crop area, which is the absolute majority of producers is lower. The issue of small land ownership and small farms is currently rural problems hindering the competitiveness of the agricultural sector It has a special effect. There are many levels of organization of small farms low in both their needs and resources creates difficulties in accessing the market. The prevalence of small farms and modern technologies in

agricultural production generally low use of improved production facilities condition. Organize among small agricultural producers low level of participation in the formation of agrarian policy and the state's agricultural activities thus reducing the effectiveness of stimulus measures. Operating in the field of agricultural products processing although most of the producers fall into the category of small enterprises, large the market capacity of enterprises is greater. This fact is produced in the respective areas of the country and in the market, although important in terms of strengthening export potential Increasing competition, mainly agriculture, which consists of small farms market access of food producers and sustainability of food security This poses certain problems. Therefore, especially in agriculture small and medium-sized processing by products manufacturers and their associations appropriate incentive measures to establish a network of enterprises implementation is urgent. Acting as one of the forms of agricultural cooperation the application of a contract-based agricultural production is also desirable not at the level. In this regard, only a few companies have sugar beets, applied on a small scale in cotton, tobacco, coconut and tea production experience is available. In recent years, the fields of cotton, tobacco and cotton growing development of a “contract-based village” at the expense of development activities the introduction of the "farm production" system has gradually begun to expand. As well as agricultural producers voluntarily in different sectors and regional the practice of merging in associations also does not exist. In this direction these initiatives have not yet produced the required results. According to the above, with the advanced tools used in world practice implementation of farm consolidation measures and agriculture the development of cooperation in various forms is very relevant for our country. In general, the low level of agro-industrial integration in the country is natural This has also contributed to the poor development of regional clusters across regions. Production establishments for the processing of grapes, cotton, tobacco and natural tea in accordance with their nature even though they are located in the regions where these products are produced, such clusters did not cause its formation. Thus, only the initial

processing processes in these enterprises performed. Initial products are either exported or consumed become the final product in enterprises located in markets.

Socio-economic development of the regions within the implementation of state programs the agricultural processing industry network has been substantially expanded, processing based on modern technologies in various fields establishments were established. Weaving caused by a sharp decline in production especially for the development of a network of destination processing enterprises In recent years, large-scale activities are being carried out. Also, from the beginning of the 21st century, the production of agriproducts new business based on the cluster approach applied in the system Creation of agroparks in our country, acting as one of the technologies has begun. In recent years, the production and processing of agricultural products the volume of loans provided has steadily increased. So, the Central Bank According to the data, the volume of loans in this area in 2005 was 97.6 million manat However, in 2015 this figure was 508.1 million manat. But the same the share of this sector in loans to the economy over the period was 6.3% to 2.3% landed. High dependence of agricultural production on natural climatic conditions, low capitalization rate, etc. factors in the saving rate in this area causes it to fall. And this is ultimately the agricultural products investments from manufacturers' own funds, as well as finances limits access to relevant funds from markets. Therefore role of the state in improving the financial security of the sector is increasing. 2005-2015 agriculture through the National Entrepreneurship Support Fund over the years volume of concessional loans for production and processing of products 18.1 times. Village since 2006 under the Ministry of Agriculture Also by the State Project Management Service and Credits Management Service concessional lending has been started. These show that the past For years it has been focused on the production and processing of agricultural products increase in the total volume of loans, mainly, concessional loans provided by the budget was provided at the expense of This fact also shows that the country is now a countryside entities operating in the production and processing of agricultural products

Opportunities to attract financial resources on commercial terms are limited. These are also with the aforementioned peculiarities of agricultural production weak economic potential of small-scale farms, insufficient development of land and property markets in rural areas existing problems with collateral for loan obtaining, agriculture Poor development of insurance, including agricultural credit guarantees lack of mechanism and other reasons. State insurance of agricultural producers in Azerbaijan support is being implemented. But insurance with the appropriate state support only a limited list of natural disasters - fire, flood, flood, flood and the strike of the frost was revealed. In this case a number of insurance events, in particular natural disasters such as droughts on land of the globe, especially dangerous pests insurance against spread and attack, infectious diseases not stimulated. As well as the state-insured facilities only wheat, barley, corn, sunflower, potatoes, sugar beet, vegetables (except greens) This includes fruit, citrus and grapes. Agriculture animals, poultry, rabbits, wild animals, bee families, as well as rural farm buildings, buildings, installations, equipment, machinery, transport insurance assets such as property and other related property interests there is a need for government stimulation of insurance. Natural disasters, animal and plant diseases, climate information, as well as rural areas the last 30-40 years information on productivity indicators in farm production Lack of a base for the development of the agricultural insurance system is one of the key constraints. At the same time, in the field of agriculture this is the lack of proper insurance fund that is widely used in world practice It has a negative impact on the development of the industry. Market infrastructure for agricultural and food products Although the country has a necessary network of food products, agriculture Market structures and institutions for the trade of products are still in the right place undeveloped. The informal sector, since the market channels are fragile and weak prevails here. Therefore, the majority were small farms favorable conditions for agricultural producers, especially crop products there are problems with access to the market.

There is a big difference between the price and the selling price in the end consumer market. This The problem is, especially, the wholesale and retail of fruits, vegetables and melons the underdevelopment of the network. Approximately 30 of the fruit, vegetables and melons in the country implemented in the market. But most of the wholesale in the country is in Baku 3 markets, the major part of which is located in the shopping center "Meyveli". Generally, the only market that specializes in wholesale is "Meyveli" trading is the center of the wholesale prices of agricultural products in the country is formed here. All other wholesale activities the main purpose of markets is retail. Agricultural products market in terms of sustainable development and improving access of producers to the market It is very important to develop a network of wholesale markets. For example, According to a 2003 Ministry of Agriculture study, fruits and vegetables and end users in Baku with the sale price of garden products the difference between the sale price is 200-600%, depending on the product In 2014, after the establishment of the "Meyveli" shopping center, it was launched According to calculations, this figure was at a maximum of 200 percent. Just this fact with topography of fruits, vegetables and melons in different regions of the country new market institutes that are engaged and have modern infrastructure shows that there is a great need for networking.

Grazing of live animals and animal meat is carried out in 36 markets in 23 cities and regions of the country. 10 markets in Baku and 3 in Sumgait are markets for meat cutting and selling. The largest wholesale markets for live animals are located in Imishli, Agjabadi, Barda, Goygol, Salyan and Sabirabad districts. The main problem in the market of livestock products is the underdevelopment of meat cutting and sales infrastructure in accordance with relevant standards. As part of measures to improve the sales infrastructure of agricultural products, the establishment of meat cutting and selling centers has been started. Places for the establishment of 3 such malls in the city of Baku have already been identified, and appropriate design work has been done for

their construction. Creating a network of "green markets" as appropriate quality alternatives to traditional "kolkhoz markets" for the development of agricultural infrastructure of sale of agricultural products, establishment of meat cutting and selling centers as well as pilot "farmer shops" based on value chain projects. need to be strengthened. It is particularly important to establish wholesale markets specialized in agricultural products in different parts of the country.

At present, there are 212 warehouses for the storage or delivery of various agricultural products in the regions of the country, including 103 grain stores. The total storage capacity of the existing warehouses is 1,250,000 tons, including the grain storage capacity - 741,000 tons, and the dry and refrigerated storage facilities for fruit and vegetable products - 509,000 tons. The ratio of total storage capacity of dry and refrigerated warehouses for fruit and vegetable products is about 17%. It should also be taken into account that many of these warehouses do not provide storage services and are either within the processing facilities or trading networks. Most grain storage facilities also serve the purpose of preserving state grain reserves. Also, the distribution of these warehouses by region does not correspond to the production potential of those regions. Therefore, manufacturers are forced to sell more of their produce during harvest, which is one of the most important factors in the seasonal decline of prices, which is why sales are inconvenient for manufacturers. The system of agricultural transportation services is characterized by the following:

- Small and medium-sized farms and traders use small and medium-sized trucks, or small and medium-sized trucks, or owned or operated by private individuals to transport agricultural products. use trucks with medium capacity;
- Large companies engaged in the production, supply, storage and processing of agricultural products have a wide range of vehicles, including special vehicles (freelancers) for the transportation of high-speed products;
- Local producers cooperate with relevant transport companies, especially with

foreign companies, to meet the needs of agricultural trucks, including trucks that are used for transportation to export markets, as well as auto-freezers. Rail transportation also plays an important role in transporting goods to export markets. The share of air and water transport is negligible.

At present, there are some obstacles to the transportation of agricultural products both domestically and to export markets. Thus, providers of transportation services charge far higher fares, especially those from poorly maintained villages. This fact shows that, despite extensive efforts to repair rural roads in recent years, the issue is still relevant in several places. In general, due to the fact that the development of market infrastructure for agricultural products has not reached the required level, adequate quality requirements are not taken into account when transporting agricultural products. Discussions with exporters show that the domestic fleet specialized in transportation of goods to the export markets is weak and exporters depend on the fleet of foreign countries, which creates problems for stable and favorable transportation. Domestic market of agricultural and food products the volume of retail trade turnover of agricultural and food products in Azerbaijan in 2015 was 12.9 billion manat. World experience shows that the agricultural market regulation system is an important way to ensure that producers can afford a decent income by selling their products on favorable terms and thus creating sustainable incentives for increased production. The establishment of appropriate mechanisms for the systematic regulation of the agricultural market in Azerbaijan has begun within the new phase of agrarian reform. At present, only two tools are used in the country to stabilize prices in the agricultural market and to a limited extent. First, since 2006, the Ministry of Agriculture in cooperation with local authorities has been organizing agricultural fairs in Baku on weekends and holidays. These fairs are farmers. Although it does not play a significant role in improving market access, it is important in terms of price affordability. Second, the State Grain Fund, which has been operating since 2009, provides adequate interventions to avoid acute volatility in the prices of cereal products on the domestic

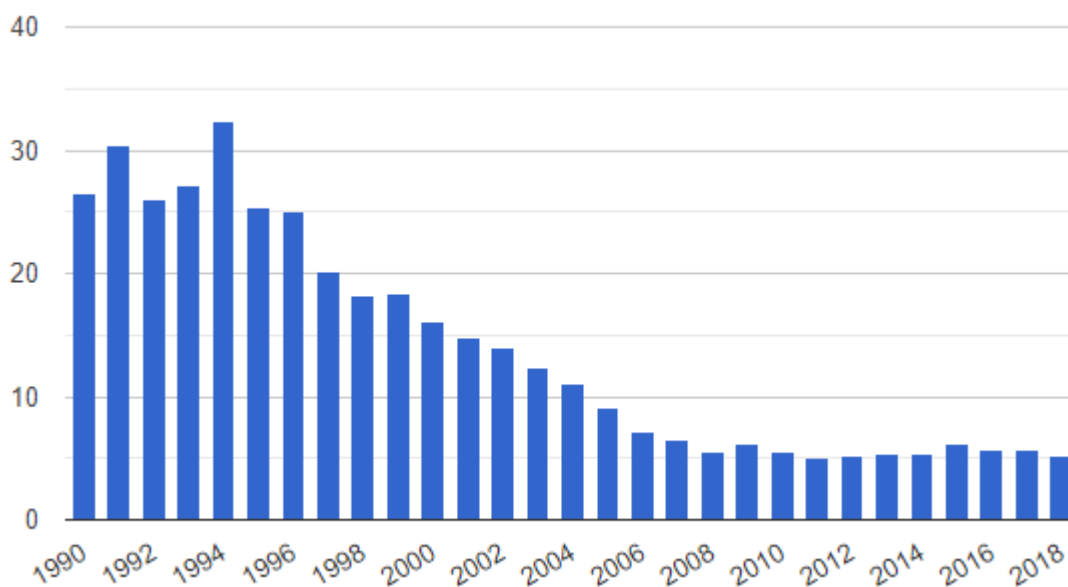
market, as appropriate, in consultation with the relevant government agencies. In other words, this tool also serves to ensure price stability in the consumer market. The Decree of the President of the Republic of Azerbaijan dated April 11, 2016 No. 1944 "On the Establishment of the Open Joint Stock Company" Food Supply and Procurement" is very important from the point of view of effective regulation of the agricultural market. As such, it will serve as an important tool in ensuring that manufacturers operate on a guaranteed basis and, if necessary, to undertake interventions across a wide range of markets. At present, "Food Supply and Procurement" OJSC has begun the creation of appropriate mechanisms for the supply of agricultural and food products for both state needs and market stabilization.

Existing legislation has legal grounds to apply antidumping, compensation and special fees, as well as quotas, as non-tariff regulation of the domestic market. However, no appropriate institutional mechanisms have been established for the flexible and effective application of these tools. The application of these instruments also requires ongoing research to determine the domestic market, to determine the prices of relevant products in the countries of origin and their impact on domestic production. Therefore, there is a need for adequate institutional capacity building. As with other non-tariff regulatory methods, sanitary and phytosanitary standards and standards and technical requirements are applied in accordance with their mission, for the protection of the environment and public health. However, in the process of applying these norms, standards and requirements, the goals for the protection of the domestic market are underestimated. As institutional arrangements for the application of relevant norms, standards and requirements are sufficiently established, these tools can also be used for the protection of the domestic market.

The share of agricultural production in GDP declined from 16.1 percent to 5.5 percent during the period 2000-2010, especially when the oil sector was particularly strong in its overall economic growth. In 2010-2015, the share of agricultural production in GDP

increased from 5.5% to 6.2%. The average valuation for Azerbaijan during that period was 13.8 % with a minimum of 5.08 % in 2011 and a maximum of 32.4 % in 1994. The latest value from 2018 is 5.3 %. For comparison, the world average in 2018 based on 161 countries is 10.4 %.

Figure 4. Share of agricultural production in GDP (percentage)



Source: https://www.theglobaleconomy.com/Azerbaijan/Share_of_agriculture/

Azerbaijan has nine natural climates and the mildest winters in the region are observed in Azerbaijan. For summer, temperatures vary between 28 and 30 ° C, with dry, hot and sunny weather. There are climatic conditions in the country, characterized by sunlight (summer) for 300 hours per month. This means favorable climatic conditions that allow the development of diversified agriculture in the country and cultivation of up to three times a year. However, the problem of efficient use of land and water resources in the country is still relevant. Failure to comply with agrotechnical rules for land use and timely implementation of measures by land users to restore soil fertility, inadequate use of existing land reclamation systems, non-agricultural land use and other environmental problems deteriorates the quality. These problems are even worse when a sustainable land management system is not implemented

aggravates. In accordance with the legislation, various agencies dealing with the restoration, enhancement and protection of soil fertility should take appropriate measures within their authority. However, the existing regulations do not contain the responsibilities of individual agencies for the restoration, enhancement and protection of soil fertility, as well as specific provisions and instructions on how to implement those tasks. Also, the statutes of the relevant bodies define duplicate functions in this regard.

One of the important conditions for the efficient use of water resources is the management of irrigation systems. Under existing legislation, land reclamation and irrigation systems can be state-owned, municipal or privately owned. However, all irrigation systems are currently in the state ownership or on the balance of Azerbaijan Amelioration and Water Management. As part of projects implemented by Azerbaijan Amelioration and Water Industry OJSC and the State Projects and Credit Management Service in cooperation with international organizations, 585 water user associations have been established locally. Although these associations are currently working to distribute irrigation water to consumers, there is still no experience in providing these irrigation systems for long-term use. Irrigation water is sold by the Azerbaijan Amelioration and Water Management OJSC at a discounted price to the associations. There is a need for a comprehensive feasibility study, and a more effective form of support, in the revision of the conciliation mechanism applied in this area. As a country with limited water resources, it is also important to take appropriate support measures in world practice to encourage the use of modern water-saving irrigation methods in Azerbaijan. The only measure currently used to stimulate the use of modern irrigation methods is the sale of appropriate irrigation equipment through the “Agroleasing” OJSC through leasing and payment of 40% of the cost from the state budget. In addition to traditional agricultural production, stimulation of production of environmentally friendly agricultural products plays an important role in protecting the environment.

Although a relevant legal framework has been established for the regulation of this area, there is no certification system or statistical database and market channels have not been formed. It is also a prerequisite for the prevention of potential complications, as well as interference with the weather in the form of rain protection and rainfall regulation for agricultural purposes. According to the World Meteorological Organization, globally, agricultural losses are estimated at \$ 6 billion a year, including \$ 740 million in CIS countries. The technical infrastructure of the defense system of the former Soviet Union was transferred to the military in the early 1990s due to war conditions. Therefore, there is a need for the country to establish and develop a system of air-based air interference for agricultural purposes.

Over the past period, an appropriate government support system has been established for agricultural producers, and consistent measures have been taken to improve and enhance the transparency of the system.

Measures of state support for agriculture:

- Agriculture is exempt from taxes;
- Producers are given preferential loans from the budget;
- Customs privileges apply to the majority of imports of agricultural production and processing industries;
- 40% of the value of agricultural machinery, machinery and equipment sold by Aqroleasing OJSC is paid from the budget and sold through leasing;
- 50% of the accrued insurance premium for insurance of agricultural property and certain insurance events is paid by the state;
- 50 manats per hectare of arable land (including re-cultivation) will be provided to the state to pay for 50% of the cost of fuel and motor oils for agricultural production;
- 0.1 manat for every kilogram of cotton sold to businesses, 0.1 manat for every kilogram of dry tobacco and 0.05 manat for every 10 kg of fresh tobacco;

- The cost of irrigation water per 1000m³ is 0.5 manats for agricultural producers;
- 40% of the cost of modern irrigation equipment sold by Aqroleasing OJSC is paid from the budget;
- 70% of the cost of fertilizers, pesticides and industrial biofuels is paid from the state budget;
- subsidies for seed production and sale;
- Measures to combat quarantineable and specially dangerous pests of agricultural plants are funded from the state budget
- 50% of the cost of imported goods by Agrolizing OJSC is paid from the budget and sold through leasing;
- 100 manat subsidies for each head of calf obtained through artificial insemination;
- Government-provided infrastructure for artificial insemination services;
- Treatment-preventive and diagnostic measures against special infectious diseases of animals (13 types) of all kinds of agricultural animals and birds are provided by the state.

These support measures have been significant in terms of enhancing agricultural producers' access to appropriate production facilities and improving their income generation opportunities. So that, previously observed deficiencies in supplying manufacturers with appropriate agricultural machinery and equipment have been completely eliminated, fertilizer use rates have been increased, farms with productive breeds have been expanded, and in general, appropriate support measures have had a significant impact on reducing production costs. In the policy of concessional loans financing by entrepreneurs from the state budget, agricultural production and processing industry was identified as a priority area, with 60-65% of the concessional loans allocated. Tax rebates applied to agricultural producers are also important in terms of reducing manufacturers' costs, as well as making local products more affordable for consumers. Reforms are currently underway to further enhance the targeting of state

support measures for agriculture in terms of development goals in this area and to improve mechanisms for their implementation. In particular, there is a need to look at the applicable tax deduction policies as well as to develop links between agricultural producers and processing enterprises and trade networks. Determining the scope and scope of appropriate support measures by accurately evaluating existing needs is also one of the challenges ahead.

At present, the vast majority of agricultural entities that do not have agricultural products are not registered in accordance with the formal requirements. According to the State Statistical Committee and the Ministry of Agriculture, there are approximately 890,000 agricultural landowners in the country, as well as approximately 370,000 agricultural producers applying for state subsidies for fuels and motor oils. And 1,500 farms are registered as individual entrepreneurs. There is no system of land and animal identification in the country. One of the major obstacles to establishing a land parcel identification system is the discrepancy between the information contained in the documents on the property of the land and the natural data. Most importantly, the failure to create an electronic cadastral system is a major obstacle to establishing an electronic land cadastre system. All these problems make it difficult to obtain qualitative statistical information on the agricultural sector, which in turn limits the ability to make realistic assessments to justify the relevant agrarian policy measures.

Recently, the country has taken a number of measures to digitize relevant agricultural information. Since 2015, the establishment of an “e-agriculture” information system has been started based on the methodology used by the European Union (EU) countries. The e-agriculture information system, based on the principles of the EU Integrated Control System (IACS), consists of 7 sub-modules, including the module "Land Identification", "Farm Register" and "Subsidy Applications and Analysis". Creating and maintaining relevant databases within the e-Agriculture information system,

including electronic databases on orthophoto maps based on aerial images and satellite images

The infrastructure of information and communication technologies is required. In this regard, the institutional capacity of the relevant structural units of the Ministry of Agriculture has been formed and piloting of the established system has been launched in Khachmaz, Guba and Goygol regions. With the involvement of an international team of consultants, a technical task force has been launched to establish an animal identification and registration system. Before the end of the implementation of the “E-Agriculture” information system, an electronic database was created based on the data on subsidized producers and their cultivation areas (region and village where the subsidized producer is operating, size of sown areas and types of subsidies). It should be noted that this data covers approximately 370,000 producers of fuel and motor oil subsidies each year and about 1.3 million hectares, representing more than 80 percent of the country's arable land. At the same time, as part of preparations for the establishment of the animal identification system, the State Veterinary Control Service has created an electronic database that collects information on farm animals available in all farms operating in the country. An electronic database of the State Technical Supervision Information System of the Main State Inspection Inspectorate for more than 66,000 agricultural machinery registered in the country has been created. As part of the activities to improve the activities of “Agri leasing” OJSC, the relevant operations carried out by the Company have been completed, and a special database on automated leasing systems has been developed and put into operation.

For the first time among CIS countries, Azerbaijan has established a “Farm Information Monitoring System” (FIMS) in accordance with EU experience. This monitoring system, which directly collects and analyzes the relevant economic indicators of agricultural producers, serves as an important source of information for analyzing agricultural policy results at the farm level, assessing the economic efficiency of

producers, systematically identifying the needs of improving agricultural policies, and more. The indicators for 2014 and 2015 were collected and an electronic database was created for approximately 4,000 households covering each region of the country and all areas of agriculture. The Agricultural Information Price Information Portal (www.azagro.net) has been established as part of a project implemented by the Ministry of Agriculture in collaboration with FAO. The database is updated daily on 400 varieties of fruits, vegetables and melons, as well as wholesale and retail prices for each variety by large, medium and small sizes. Currently, this information portal is being upgraded based on the market prices for fruits, vegetables and melons, livestock products, cereals, technical plants and other industrial products.

Employment and Rural Development According to the State Statistical Committee, the number of employed in the manufacturing industry was 9.3% and 2.5% in the agricultural sector, with an overall 6.8% increase in employment over the past 5 years. While the share of the manufacturing industry in the total employment in the past period remained at approximately the same level, with an average of 4.8-5.0%, there was a decline in the share of agriculture in total employment. Thus, in 2000 this figure was 39.1 percent, and in 2015 - 36.4 percent. Agriculture is still the sector with the largest share in total employment. In 2015, the value added per person employed in this area was 1993.2 manat, and the average monthly amount was 166.1 manat. The small value added of agricultural workers demonstrates the limitations of employment opportunities for the employed population in this area and the need to develop production at the cost of intensive factors. In turn, this fact also underscores the need for increased non-agricultural employment through the processing industry and other manufacturing and service industries in rural areas. The social infrastructure of the rural areas, where 47 percent of the population lives, has dramatically improved through the state programs of socioeconomic development of the rural regions implemented since 2004, while the wellbeing of the rural population has increased.

I.3 Taxation system for agricultural sector

Agricultural producers are exempted from other taxes excluding land tax established by the Tax Code, since 1999, and apply to producers who engaged in the direct production of agricultural products. These individuals are also included within the preparing of rural items. In expansion, the deal of products from non-producers to other people, as well as their handling in any form, is for the most part taxable. There's a have to be set boundaries for the generation and handling of agrarian items in arrange to precisely decide the scope of assess benefits connected to rural makers to dodge contrasts and debate emerging in these ranges, and at the conclusion of final year, corrections were made to the Charge Code. and the concept of offering. Concurring to Articles 13.2.60 and 13.2.61 of the Charge Code, the concept of agrarian generation incorporates the development, bolstering of creatures and feathered creatures, counting mechanical, in their vocation, without the change of items into essential items, chemicals. Procurement without modification, conservation, deal of agrarian items by mechanical strategy, extraordinary broiler ranches, computerized stall.

The items that are created live in their frameworks and somewhere else, as well as in their business, are displayed within the essential frame without any chemical affect. In agreement with the arrangements of the Assess Code, rural makers (counting mechanical ones) are dependable for the deal of agrarian items delivered by them (salary) assess, value-added charge, rearranged framework charge, and property tax on objects utilized within the handle is absolved from installment. Appropriately, rural makers are excluded from wage (wage) charge, value-added charge, and rearranged framework. Be that as it may, in the event that the producer shapes processing products from rural items (ex, offering meat within the frame of meat, dried natural products and vegetables), depending on the tax assessment strategy (pay (salary charge) or disentangled charge) for these prepared items. and pay charges to the state budget. In addition, the sale of agricultural products purchased by the taxpayer from other persons

is not regarded as agricultural produce produced by the taxpayer, and income from the sale of these products is generally taxed and paid to the state budget. Clearly, people locked in within the buy and deal of rural items are not considered rural makers and are not subject to assess findings given for this zone. Salary from the deal of agrarian items at markets, fairs and on a versatile premise is calculated at 4% of the volume of generation (barring costs) for the products given beneath the simplified method of tax assessment. Within the case of the salary assess strategy, the wage assess on the products provided is evaluated at the rate of 20 percent after derivation of the salary, as well as the compulsory installments given by law. In expansion, when offering rural items at markets, fairs, and versatile items, buyers of these merchandise must give a receipt or other shape of announcing, which ought to contain data given by law. Because it is known, VAT isn't the total esteem of these items, but the distinction between their buy and deal cost when offering agrarian items to the open in understanding with authoritative changes to develop small and medium-sized businesses, lessening the assess burden on buyers. calculated. This is the business visionary calculates VAT at 20 manat when he offers 100 manats of agrarian products to the customer for 120 manat. In any case, the enactment in this case permits the business visionary to keep records of these things independently for VAT calculation. In this way, the business person may offer to the client specifically from the maker of agrarian items, or offer it to clients by bringing in such merchandise or from other supplier wholesale exercises. On the off chance that these merchandise are not independently booked, VAT will be calculated from the whole fetched of all items. Agrarian arrive utilized or not utilized for assignment should be decided by reference from the Ministry of Agriculture of the Republic of Azerbaijan, the Ministry of Emergency Situations of the Republic of Azerbaijan and the "Azerbaijan Amelioration and Water Management" Open Joint Stock Company. This reference indicates that the lands are not used for excuses or excuses. Based on the information in these references, the arrive charge on rural arrive utilized for charge purposes on these lands, or for water

system, recovery and other agro-technical purposes, is 0.06 AZN for 1 point, but for the desired lands calculated at the sum of 2 AZN per 100 square meters of unused rural arrive. For data, I would like to advise you that within the Proclaim of the President dated June 1, 2016, No. 928, the Cabinet of Ministers has been entrusted with specifying the criteria and rules for distinguishing agrarian arrive that will or may not be utilized for its reason. For this reason, the Ministry of Taxes submitted proposition, gatherings and common talks on the draft determination "On endorsement of criteria and rules for the assurance of rural arrive utilized or not utilized for its reason" created by the Ministry of Agriculture. As it is known, the Ministry of Taxes is the central executive body, which provide the timely and complete collection of taxes and other revenues to the state budget within the single fiscal and budgetary policy of the Republic of Azerbaijan. The provision of appropriate tax incentives to agricultural producers has prompted fundamental development of agriculture and increased investment in this area. It is reported that agricultural producers have been exempt from the relevant taxes since 1999: according to the tax legislation, agricultural producers must pay income tax, income tax, value-added tax, as of January 1, 2019, excluding land tax. , exempted from payment of tax on simplified system and property tax from objects used in that activity. In expansion, the articles have been included to the Assess Code, which gives for exception of certain merchandise from VAT for the reason of sparing rural producers' working capital. In any case, in understanding with Article 159.10 of the Code, VAT absolved imports on the region of the Republic of Azerbaijan for the most part include VAT. In expansion to exempting a few merchandise from VAT, the deal of merchandise over the nation has been exempted from VAT in arrange to supply motivations for agrarian makers. This incorporates: consequence and deal of family creatures, purport and deal of seeds and seeds, consequence and deal of mineral fertilizers, pesticides, seed breeding, poultry and beekeeping hardware, counting research facility hardware, seeds, cereals and dried beans consequence and deal of calibration machines, moment of veterinary arrangements utilized for the anticipation,

determination and treatment of cultivate creatures and fowls, purport and deal of agrarian water system and other hardware, apparatus, equipment and machinery. In addition, the existing legislation applies to those areas directly involved in the processing of agricultural products.

To get the suitable investment promotion report and to utilize the significant charge conclusions on that premise. Concurring to the Tax Code revisions, from January 1, 2016, lawful substances and person business visionaries get pay from VAT, property and arrive charges, counting the date of receipt of the record based on the venture motivating force report issued by the President of the Republic of Azerbaijan. (benefit) of 50% and is excluded from pay charge for 7 years.

Most investigation of later authoritative request uncovered that the method of showing products by legitimate substances to concession contracts by private business visionaries is befuddled with the conveyance of merchandise by the operator. It ought to be borne in intellect that beneath Article 808.1 of the Civil Code of the Republic of Azerbaijan, one party (commissioner) embraces to create one or more exchanges on its sake but at the cost of the commissioner. According to the tax legislation, goods accepted to the commission are documented in the Goods Delivery Act and recorded at the prices specified in those documents. A contract is signed between the parties regarding the acceptance of goods to the commission. Electronic invoices are provided to legal entities and individual entrepreneurs by those who present goods, work and provide services. Delivery of goods to the commission is not considered as the delivery of goods, the electronic community for the goods transferred to the commission agent by the consignee is not submitted. Article 172.4.4 of the Tax Code states that the tax base for an agent is the cost of providing services to other persons (works, services); It is the right to receive (reward) from the person. In accordance with the provisions of Article 800 of the Civil Code, a concessionaire under a concession agreement undertakes to sell contract goods in certain areas and (or) to certain customers (contract

area and contract clients). Assignment of goods gives the concessionaire the exclusive right of sale (monopoly right), and the concessionary must guarantee the sale of the goods under the control of the concessionaire.

As can be seen, the conveyance of merchandise on the premise of commission assentions concluded between the parties within the way endorsed by law may be made through an operator. In this case, the deal of goods. The taken a toll of a assessable exchange for an operator under a commission understanding may be a expense (premium) for the deal of administrations. The continues from the deal of products obtained beneath a concession understanding should be entirely inferable to the assessable wage of the person business visionary (net yield) and should be surveyed and paid to the state budget.

II. Problems and shortcomings in reporting and taxation system of agricultural companies in Azerbaijan

II.1. The Tax legislation of Azerbaijan: opportunities and obstacles for agricultural sector

Within the current financial environment, the improvement of the agrarian sector is one of the most needs in all socio-economic advancement programs received all through the nation. The bearings for the advancement of this unit are:

- Improvement of standardizing lawful base, logical and methodological bolster and framework of preparing of the agrarian unit;
- Relevant improvement of crude materials generation and handling divisions of the agrarian segment, incitement of competitive generation increase;
- Strengthening of the fabric and specialized base of the rural unit;
- Supporting modern structures that will serve the agrarian division and work on advertise principles;
- Improvement of water system and arrive recovery in agriculture;
- Ensuring effective utilize of arrive and water resources.

Almost all of the regions specified over depend specifically on the money related security of the unit.

On the other hand, in expansion to expanding rural generation, the agrarian segment faces the issues of expanding the financial proficiency of generation. This is often due to the assets utilized in agribusiness; more effective utilize of arrive, fund, fabric and specialized implies, application of accomplishments of logical and mechanical advance in generation, escalated of generation forms, increment of productivity of state control, etc. is required. Increasing the productivity of agribusiness financing could be a need for creating nations. Azerbaijan, which is one of these nations, moreover extreme to

fortify its financing in this zone. It ought to be famous that the 2015 state budget too gives arrangements for expanding the state back to the agrarian division. The government gives this bolster through a assortment of apparatuses, one of which is the financing of tax deductions.

Studies show that tax incentives play an important role in the development of the agrarian sector, especially in overcoming the financial problems in this area. Subjective advancement of charge control within the state agrarian division progresses work of individuals, increments agrarian generation due to their exercises, increments the sum of stores accessible to citizens and creates entrepreneurship. Therefore, the state is additionally somewhat dependable for tending to the issues raised by expanding the adequacy of charge breaks in farming has made a difference. In this way, the exclusion of agrarian makers from paying other charges, but for arrive assess, moreover applies to the salary assess of lawful substances working in this region and to the wage assess of person business people. Salary and income taxes are the result of an increment within the sum of reserves cleared out to the transfer of agrarian undertakings and person entrepreneurs.

This moreover increments the volume of speculations in settled resources within the agrarian division, which, in like manner, quickens the deadly implement of endeavors with advanced, seriously technology-based settled resources. Looking at the insights for the final 10 a long time, the advance made in this region after the rebates is clearly visible. Complex charge changes and charge arrangement executed in parallel with the advancement of the Azerbaijani economy, which has been positioned among the best nations within the world for tall financial development, have permitted the charge framework to reach a subjectively unused level. One of the most targets of the current tax arrangement is to realize maintainable improvement of the non-oil segment, to preserve macroeconomic circumstance within the nation, to successfully regulate the economy and to fortify its energetic improvement. One of the most headings of charge

approach executed within the nation is to back agriculture within the improvement of the non-oil sector.

Considerations appear that the charge arrangement of each nation plays a vital part within the improvement of the agrarian division, particularly in overcoming the monetary issues in this range. On the other hand, the encounter of created nations proves that one of the most conditions for the energetic improvement of the national economy is the creation and working of the idealized charge framework within the nation. Idealized charge arrangement quickens financial advancement and advances high development rates of national businesses. This political line covers numerous financial areas, one of which is the agrarian segment, where the execution of optimal charge arrangement is effective. Since assess arrangement plays an imperative part within the improvement of the agrarian segment, the improvement and execution of advancement programs are directed by the state. One of the strategies of state direction of the agrarian segment is the arrangement of certain charge motivating forces to rural makers. Hence, in order to quicken the advancement of business enterprise in this range, the expansion of the legitimacy period of the Law of the Republic of Azerbaijan “On Arrangement of Term Assess Exclusions to Agrarian Producers” dated November 27, 2001 and the Law of November 8, 2003, No. 520 Legitimate substances locked in within the generation of rural items (counting mechanical strategy) from January 1, 2001 to January 01, 2014, compatible to Laws IIQ and No. 719-IIIQ dated November 25, 2008 In expansion to paying pay assess, esteem included assess, streamlined framework charge and property assess from objects utilized in this action, built up by the Assess Code of the Republic of Azerbaijan tax, and the operating offices utilized within the handle were exempted from property charge.

The Law of the Azerbaijan Republic on May 16, 2014 on abolishment of the Law of the Republic of Azerbaijan “On Arrangement of Term Assess Concessions to Rural Producers” Canceled and Corrected by the Tax Code Benefits for rural makers with

revisions and increases to the Charge Code by the Law of the Republic of Azerbaijan are included within the Charge Code within the frame of charge exceptions. The assess exclusions built up by the Tax Code for agrarian makers are the taking after:

- According to Article 102.1.11 of the Assess Code, the pay of people straightforwardly from rural generation is exempt from wage tax;
- Income of lawful substances locked in within the generation of rural items (counting industry) in agreement with Article 106.1.14 of the Code - absolved from corporate wage charge for January 1 to 10 a long time, 2014;
- Article 164.1.18 of the Code sets up assess exceptions for agrarian items (counting mechanical) for the deal of agrarian items created by them: for January 1 to 10 a long time, 2014, but for the send out of products VAT is not charged for the arrangement of services, works and services, as well as for import;
- According to Article 165.1.3 of the Code, VAT is charged at zero (0) for the trade of products. Agreeing to this article it can be famous that agrarian exporters, at the side other trade operations, are subject to VAT at zero (0);
- According to Article 199.9 of the Code, lawful and common people locked in within the generation of agrarian items (counting mechanical strategies) are entitled to the same are absolved from installment of property assess for the property utilized within the course of movement for the period from January 1 to 10 a long time, 2014;
- According to Article 218-1.1.1. of the Code, the volume of agrarian items created by rural makers (counting industry) isn't subject to tax collection for the period from January 1 to 10 a long time, 2014.

Here, agrarian makers are caught on as the members of these fabricating forms. These are state agrarian ventures and organizations, private (joint-stock companies, restricted and extra risk companies) locked in within the generation of agrarian items, provincial

business visionaries, family-owned ranches, family units, and cultivate ranches. The substance of rural action is that there must be arrive plots within the possession or use of rural makers, and mechanical property (property) within the property of mechanical producers. According to the official data, these benefits don't apply to agrarian preparing laborers. Hence, the salary from the arrangement of items gotten after the handling of agrarian items must by and large be saddled. For case, businesses that are locked in in feed generation, angling, offering drain and cheese, offering dried natural product, offering merchandise, sheep and chickens are not subject to any appropriate tax.

On the other hand, as famous over, agreeing to Article 102.1.11 of the Assess Code, the pay of people straightforwardly from agrarian generation is absolved from salary charge. The term "rural items" alludes to such regions as agribusiness, cultivation, creature cultivation, sheep breeding, beekeeping. When those people lock in in other exercises, they are subject to tax collection on that activity. On Alterations to Determination No 11 of the Cabinet of Priests of the Republic of Azerbaijan dated January 31, 2005 "On the list of merchandise absolved from value-added charge to the region of the Republic of Azerbaijan" Choice # 17 dated January 25, 2007 was too marked. Concurring to the choice, a list of merchandise absolved from value-added assess was endorsed for the reason of advancing generation within the non-oil sector. The same resolution exempts the number of commodities that will stimulate agricultural development. In our view, the relevant amendments to the Tax Code and the implementation of the Decision are in agriculture will have a positive effect on the increase in cash available at the disposal of the manufacturers of products and consequently the increase in financial security.

As a result of the research, we conclude that the amendments to the Tax Code of the Republic of Azerbaijan on the provision of urgent tax benefits to agricultural producers had a positive impact on improving the efficiency of the agricultural sector. Thus, the

application of the term tax benefits to agricultural producers began in 2001 and was followed for 13 years this policy, which has continued until now, has allowed the farmers to remain 1.4 billion manats, and to direct them to the development of secondary production. As a result, production increased 4.4 times. Since tax policy plays an important role in the development of the agrarian sector, the development and implementation of development programs are directly regulated by tax and fiscal regimes. Effective tax regime, implemented in the past years, has played a stimulating role in the development of agriculture. The discount mechanism used in the agrarian sector has led to a reduction in the costs of entrepreneurs. As a result of tax exemptions for homeowners, costs in agriculture decreased by 10%.

Exemption of agricultural producers from payment of other taxes, except for land tax, has also had a positive impact on the growth rate of gross domestic product. The following diagram shows the progress made in this area following the implementation of the concessions.

At the same time, one of the main tasks in terms of improving the living standards of the rural population is to increase the financial well-being of the rural population.

As a result of the abolition of taxes, agricultural producers only contributed \$ 164.1 million to the state budget in 2010. Income tax from legal entities is \$ 24.6 million, value added tax from legal entities and individuals is \$ 126.1 million, simplified tax from legal entities is 6.3 million, property tax from legal entities is 5.7 million. income tax from individuals \$ 1.4 million manat.

As a result of economic policy pursued in agriculture, in 2010, grain production increased 1.3 times, potatoes by 2 times, fruits and vegetables by 1.5 times, melons by 1.7 times, grapes by 1, compared to 2000. 7 times, sugar beet production increased 5.4 times, meat production 2.3 times, milk production 1.5 times, cattle head 1.3 times and number of dumplings 1.4 times: “State producers of agricultural products Benefits from tax deductions have led to lower costs and costs of products and increased productivity.

Among the issues covered by the tax system is the proper organization of financial reporting and accounting in entrepreneurship and business entities. Inadequate accounting leads to double taxation by taxpayers and concealment of turnover.

Although earlier tax records were provided for large agricultural producers, small producers were not only taxed, and some of them had no registration with the tax authorities. That is, the level of tax control in the agricultural sector was very low. This means that the economic performance of those producers was not recorded anywhere.

Recently, certain measures have been taken to tax the non-registered producers in the agricultural sector. More than 10,000 agricultural producers and owners of agricultural lands have been registered since mid-2019. This is not a small indicator and the process is ongoing. In addition, there is no record of the presence of large numbers of tax-exempt persons in the agricultural sector. In short, those people have been taxed for other purposes.

One of the objective reasons for the current situation in the sector is the application of tax breaks in the agricultural sector. In the past, tax authorities were only interested in the level of tax collection as a taxing authority. They showed great interest in the sector, and they didn't want to waste time on small producers. The potential tax collections in this area were inadequate in terms of organizing and conducting the registration and registration procedure. In fact, from a mathematical point of view, this may seem logical. However, the picture we see points to the fact that everything should not be viewed from the point of view of taxation. Problems with tax control have a negative impact on the overall sector. In addition, carelessness in this area has contributed to a number of tax evasion cases.

For example, there are many land plots that are leased by homeowners. In most cases, the lessee did not meet the tax obligations arising from these relationships because he was employed in the agricultural sector and did not report. In other words, part of the agricultural land rental market was virtually out of tax control.

The low level of reporting by entities also significantly reduces the level of sector reporting. On the basis of these data, statistics are formed, based on which the state of the field is studied, state policy is formulated. Inadequate information creates problems with field regulation, allocation of subsidies and other issues. Serious problems in the statistical data are also related to the failure to submit or inaccurate reporting of business entities. Existing tax breaks in the sector should, in principle, increase the transparency of accounting information provided by the entities. I think a lot of meetings should be held with agricultural producers, and enlightenment should be continued.

Other areas also suffer from the low level of accounting in one area. For example, the banking sector specialists suffer the most. The farmers who want to get a loan are often unable to provide the necessary accounting information. It is very difficult to obtain information about official turnover, number of employees, profits and expenses. This reduces interest in lending to the sector.

Experience shows that the existing tax system is only effective when it is in the financial interest of producers and other taxpayers. Multiple tax systems and salaries to social funds, as well as some inconsistencies in the existing tax legislation, introduced in 1999 were not only financially motivated for new businesses in the agrarian sector, but on the contrary. The fact that the actual sales prices of the funds, some of the actual revenues of the members of the household, were deliberately underestimated.

First of all, it should be noted that agricultural producers, along with 1999, pay land tax, property tax, income tax on individuals, tax on vehicle owners' use of automobile roads, tax on motor vehicles and wheeled vehicles, value added tax. They made nine different payments to the Social Security Fund, 25% of the actual salary, 2% to the employment fund, and 1% of the actual salary of individuals. All taxes, except for value-added tax and property tax, were included in the production costs of the products.

Value-added tax is indirect tax and is not included in production costs. This feature of value-added tax allows us to suggest that the value added tax paid by the production

entity to the budget has no adverse effect on its financial performance. However, studies show that the indirect taxation of the value added tax in the national economy and in the agrarian sector significantly complicates the financial situation of producers.

In agriculture, as well as in most other areas of the national economy, the value-added tax calculation mechanism is often not taken into account when it comes to selling products, works and services. This tendency was especially noticeable in private farms, where accounting was not properly regulated and operational records were not properly organized. Thus, since no accurate record of production costs was made in rural farms, it was not considered as an indicator of the cost of production, and therefore it was not possible until the actual sales value of the product was determined. Tax authorities calculated value added tax on goods sold on farms using actual market prices. For this reason, it was not possible to calculate the value of the land tax on the sales tax in the annual report of the farms.

The Decree of the President of the Republic of Azerbaijan “On Some Measures to Accelerate Agrarian Reforms” of March 22, 1999, exempted agricultural producers from eight types of taxes and payments, excluding land tax, for five years, along with the repayment of debts for these taxes. The decree of the President should be regarded as an indispensable financial aid to the agricultural production entities. Thus, the analysis of the actual economic indicators of agricultural producers for 1994-1998 shows that the specific weight of other payments was 38-42% in the actual production costs of production entities. In other words, taxes and payments led to a 38-42% reduction in the actual profits of production entities. If we add to this amount a discount on the value of fuel sold to agricultural producers, then we can see that after the Decree, the agrarian producers' incomes have grown by at least 34-44%. However, it is also necessary to take into account the fact that exemption of producers from taxes is a temporary measure carried out by the state. We believe that agrarian producers, like all producers, should be involved in the formation of state revenues sooner or later.

Agricultural producers are still exempt from all other taxes and fees, except land tax. However, it should also be taken into account that while villagers are exempt from taxes, they acquire all the basic and working assets required for production at a higher cost but are not able to repay them.

The tax system should be established in such a way as to stimulate the productive activities of producers, to meet the requirements and conditions of the agro-industrial complex development and to ensure continuous reduction of production costs. In our opinion, the tax policy of the state should provide a unified taxation system for agricultural producers, their services and processing enterprises, as well as to create equal conditions for the economic activity of the country.

We believe that in the future two types of taxes (land and absolute taxes) should be applied in agriculture and the total amount of these taxes should not exceed 25-30% of production costs. We can provide a taxing boost by differentiating these proposed types of taxation based on the level of land use and cost savings.

II.2. Problems in the reporting system of agricultural companies: SMEs and big companies

Agricultural Accounting in our country Accounting according to International Financial Reporting Standards and National Accounting Standards for Commercial Organizations, approved by the Ministry of Finance of the Republic of Azerbaijan dated January 30, 2017 Q-01 The Rules are regulated by the National Accounting Standard 28 for Commercial Organizations on Agriculture and other regulatory legal acts approved by the Ministry of Finance of the Republic of Azerbaijan No. I-04 dated January 13, 2009. As it is known, the National Accounting Standard 28 for Commercial Organizations on Agriculture has been developed in accordance with the Law of the Republic of Azerbaijan “On Accounting” and is based on the International Accounting Standard 41. The purpose of this standard is to provide an overview of the application

of agricultural accounting, presentation and disclosure of financial statements. In the event of a conflict between the statutory legal acts governing the accounting and this National Accounting Standard, the current Standard applies.

When the National Accounting Standard 28 is concerned with agricultural activity, it applies to:

- (a) biological assets
 - (b) agricultural products at the time of harvest; and
 - (c) covered by paragraphs 34 to 35 of the Standard
- government subsidies.

Standard 28 does not apply to land related to agricultural activities and intangible assets related to agricultural activities. Because there are separate standards governing the named items. This Standard applies only to agricultural products grown by the enterprise's biological assets at the time of harvest. Thereafter, the National Accounting Standard 8 reserves or the other applicable standard is applied. As a result, this Standard does not deal with agricultural processing after harvest.

There are significant problems with establishing a system of accounting and reporting for peasant farms. So far, simple accounting documentation has not been developed for private farms, and no new mechanism for analyzing farms has been established. Most private farms do not report costs and do not analyze economic and financial activities. The heads of private households have no elementary idea of changing and fixed costs, total income and net income. As a result of the initial accounting and analysis of the financial and economic activities, private farms do not know which products are produced by the income and which losses. All of this leads to the conclusion that in order to ensure the efficient economic and financial activities of private farms, it is necessary to increase the financial literacy of entrepreneurs, create

simple accounting forms for them and a transparent reporting system and appropriate mechanisms for their analysis.

In modern conditions, families and farms must solve at least two important problems. On the one hand, they must meet the demand for their products, and on the other hand, they must earn enough income to meet their consumer demand by selling their products in the market. As we know, in a market economy, all production entities operate on the principles of accounting. This, in turn, influences many factors affecting income generation - the structure of cultivated areas, the structure of fodder, the costs of product production, the factors affecting variable and fixed costs, and the tendency to fluctuate in commodity markets. requires in-depth analysis. For analysis, it is necessary to have an economically sound business plan, to record daily transactions and the actual costs associated with it, the proceeds from the sale of products, and all the revenue and expenses associated with the business in general. Without it, no business entity can function effectively.

Private entities should plan their economic and financial activities, record expenses, analyze their performance, and investigate whether their financial performance is high or low. Most of the planning benefits in agricultural enterprises are based on a budget based on the information provided in accounting. The budget shown in the figure of the expected result is made in the agricultural enterprises as budgets of particular sectors. These budgets can inform the entrepreneur about the need for raw materials such as seeds, fertilizers, feeds and medicines for each area and the benefits they can bring. Therefore, a well-established accounting system should be established in the enterprise before planning to achieve the expected result. Establishing this system ensures that accurate, detailed and comprehensive information is obtained to achieve the intended objectives. The information needed to prepare an enterprise planning can also be collected through approximate and statistical methods or questionnaires. But this information is not enough for reliable planning. Thus, the future projections are

related to the details of some past events. Accounting is of particular importance as it provides the most comprehensive information of the past, since it records detailed and detailed records of business operations.

Today, serious work is being done in the field of transparency in Azerbaijan. Serious measures are being taken to reduce the scale of the shadow economy. There is a great need for this work in agriculture as well. There are 8 government agencies engaged in agricultural accounting and each municipality has its own registration area. For example, the Ministry of Labor and Social Protection oversees employment records, the Land Committee, the Ministry of Taxes maintains tax records, and the State Customs Committee tracks the import-export process. The Ministry of Agriculture's accounting activities are broader. The Ministry of Taxes, together with other relevant agencies, has been working on this project for a long time, and the implementation of the project presented today will give a serious impetus to the transparency and transparency of agricultural accounting.

The main objective of agricultural accounting is not to impose tax on manufacturers operating in this area, but to ensure proper accounting that reflects the real situation. On the other hand, agricultural producers can avoid tax evasion by failing to keep records and report, which is unacceptable.

Agricultural producers have been exempt from all taxes except land tax since 1999 and extended this exemption for another five years by 2019: "Agricultural workers receive substantial support from the state. Only about 400,000 last year. "The country has received a subsidy and is expected to increase this year. Our state wants to see the results of its care. There should be plenty of markets, exports must increase, foreign currency must come to the country to boost our economy."

Although agriculture is tax-exempt, sales are not tax-exempt, and one of the reasons for tax evasion by third parties is the inaccurate accounting. The work to be

undertaken under the project will only cover the production of agricultural land for sale, and products manufactured in individual yards will not apply here.

Each landowner must register under compulsory social insurance in accordance with existing legislation and pay compulsory social insurance in the manner prescribed by law. Otherwise, in the future, serious problems with decent retirement benefits will not be inevitable. The registration of family farms has not been organized so far. It was stated that the level of accounting and reporting in the agricultural sector cannot be considered satisfactory and there are serious discrepancies between the figures presented in the reports from various government agencies and municipalities. A major project has been developed in conjunction with other relevant government agencies to address these issues and it has been decided to start these activities in Shamakhi.

Deputy Director General of the Department of Economic Analysis and Accounting of the Ministry of Taxes Namig Dargahov informed the participants of the event of the regulatory legal acts and their necessary provisions in the field of agricultural accounting and transparency: "36 people engaged in agriculture across the country. The state's emphasis on this area has been confirmed by long-term tax cuts, in addition to a 3 percent increase in the customs value of exported agricultural products, depending on the type of product, according to a presidential decree signed in 2016. Return is applied and this step is a great incentive mechanism for agricultural producers ". Since the beginning of 2019, 235,000 taxpayers engaged in the production of agricultural products have been registered with tax authorities.

Elchin Beylarov, Director General of the Department for Local Government Affairs at the Ministry of Taxes, provided information on the work done so far by the Ministry of Taxes, as well as local ministry bodies access to information on persons engaged in the production of agricultural products, the mapping of these data with the basic data of the Ministry of Taxes, and the identification of mechanisms for correcting the work.

Establishment of special commissions for each district (city), working groups in settlements and villages, for registration of taxable individuals for the purposes of compulsory state social insurance, using individuals who use agricultural land on the map. The list is planned to be developed in the state agrarian development centers, territorial tax authorities, Taxpayers Service Centers, settlement offices, rural executive offices and municipalities, as well as through mobile databases. "

The following conclusions are drawn from summarizing our views on entrepreneurship and entrepreneurship in the agricultural sector:

1. The main reason for the poor development of the entrepreneurial class in agriculture, that is, the number of people engaged in entrepreneurial activity, is not only properly and generally not registered. Although there are specific articles in the laws of the Republic of Azerbaijan "On Entrepreneurship" and "On Family-Farming", it is not yet engaged in this important work.

2. Paragraph 2 of Article 10 of the Law on Entrepreneurship states that "Registration of individuals engaged in entrepreneurial activity without the establishment of a legal entity shall be conducted by the local tax authority in which they live and operate." As it is known, agricultural production entities are exempt from all types of taxes, except land tax, and land tax is collected by municipalities, which means they must also register their entrepreneurs. Municipalities are also unable to do so because there is no specific instruction on what criteria should be used to register individuals operating in agriculture as business entities.

3. Clause 9.4 of the Law of the Republic of Azerbaijan "On family-farming" states that "when the excess of annual turnover of family-rural economy exceeds the amount determined by the relevant executive authority, it acts as a subject of entrepreneurship". . In comparison with 2005, the gross agricultural output in 2013 was 3399.8 mln. (2.8 times), the average annual increase is 425 mln. (35.5%). However, by the end of the year (2005) the law was adopted, as of January 1, 2013, there were 2,681

private businesses in the agricultural sector. Apparently, there is no place for this important work.

Due to these three problems, the number of business entities in agriculture is declining instead of increasing.

The solution of the problem also depends on the measures taken to properly determine the status of economic entities operating in the country. At present, we think it is advisable to turn to foreign practice to determine whether family-owned farms operating in Azerbaijan can be included in the ranks of business entities (farms). According to US practice, these farms are considered farms with annual sales of more than \$ 1,000 (38.63). This means that all households selling 1700 manat products a year should be called farms. We think it is worth thinking about what is mentioned.

Another issue that is noteworthy in the census data of the Statistical Committee as of June 1, 2005 is the criteria for determining the status of “family-peasant” and “household” households. The document states that “The agricultural census received land as a result of agrarian reform, and the head of the household was registered as a “family farm” and a household headed by a household head as a “ household ”. The household also includes farms of urban and urban dwellers who have not received land share as a result of agrarian reform, but only homestead land and livestock.”

According to the State Statistics Committee, all crop and livestock products in 2004-2013 are profitable for individual entrepreneurs and family farms. This means that the amount spent on the production of a unit is less than the sale price of the product. Indeed, in each of these years, including in 2013, a single centner for private businesses and cereals was 16.44 manat, potatoes 25.31 manat, vegetables - 10.12 manat, melons - 8.12 manat, fruit and berries. , 30 manat, grapes 22.39 manat, weight gain on cattle - 211.69 manat, sheep and goats - 211.84 manat, birds - 225.52 manat, milk - 27.45 manat, thousand eggs - 78.43 manat their average selling price is 21.70; 41.00; 24,10; 13.60; 44.10; 34.90; 322.60; 339.40; 273.00; 48,90 and 131.30 manat.

This does not mean, however, that in all of the private casualties, the sale of products is profitable. If we take into account that these are average, it means that in some private households, the cost of production is lower than the average and in some cases higher than the average. The sharp difference between the cost of products and the sale prices suggests that in the vast majority of private households, perhaps all, the cost of products is lower than their selling price. Under these circumstances, the kilogram of grain produced was 21.7 cents, potatoes 41 cents, vegetables 24.1 cents, live weight 3.23 manat, lamb meat 3.39 manat, milk 49.9 kopecks, 50 kilograms of bread. cents, potatoes for 60-70 cents, vegetables - 40-50 cents, cut meat - 7-8 manats, lamb meat - 9-11 manat, industrial processing - 1,40-1,80 manat per liter How to evaluate?

Agricultural production is more closely related to natural factors. Thus, in certain areas of the republic, unfavorable weather conditions for the agricultural sector, and in some cases natural disasters occur. Such a situation has a negative impact on the reduction or loss of agricultural production, the loss of animals, the loss of funds from the sale of products, the deterioration of the financial status of the economy, which in turn affects the future development of production, the implementation of planned measures, especially the investment. We recommend to private farms to compensate for losses incurred by nature's devastating activities and other unforeseen events so that a portion of their net income will create a reserve. Reserve (insurance) funds for agriculture can be created in the following forms:

- self-insured farms can create a reserve of profit from their profits. In this case, the villager can recover at least a portion of the damage from the reserve fund.

We consider it expedient that the amount allocated to profit fund should be at least the amount of actual depreciation of fixed assets,

- cooperatives, associations, associations, etc. they can create a special fund for this purpose. In this case, the origin of the fund may be deductions from the farm's deductions and deductions from the profits,

- Property insurance.

Registration in rural farms depends on organizational form and specialization of production. Only farms that specialize in the production of several types of products in one area are registered under a simple scheme. The basis of this record is the book of income and income. The book, which is prepared in simple Excel tables, is built on the principles of revenue and output. In international practice, this type of registration is also called multilateral registration. Depending on the number of fields in the farms, the accounting facilities (production areas) and the accounting information are also naturally increasing. Therefore, detailed systematization and control of economic operations is required. In this case, it is proposed to use a double-entry method, which includes different accounts, in addition to simple accounting books for accounting.

Depending on the number of fields in the farms, the accounting facilities (production areas) and the accounting information are also naturally increasing. Therefore, detailed systematization and control of economic operations is required. At the same time, it is suggested to use a double-entry method for accounting, in addition to simple accounting books, which contain different accounts. The binary registration method should register and operate the 9 stages as shown in below until the final financial statements are prepared. The first 4 of these stages are basic and the subsequent ones are auxiliary.

1. Documents
2. Business operations registration log
3. Recording to the main books
4. Initial trial balance
5. Adjustments
6. Adjusted trial balance
7. Closing of auxiliary accounts (Recent notes)

8. Latest trial balance

9. Latest Financial Statements:

- Profit and Loss Statement
- Statement of Changes in Equity
- Financial Statement
- Cash Flow Statement
- Explanatory notes.

As we know, in accordance with the amendments and additions to the Accounting Act of 2005, all businesses and organizations operating in our country must prepare their financial statements and reports in accordance with the International Accounting Standards. These standards and regulations have already approved the forms of financial statements and the structure of their constituents. Their list is as follows:

1. Statement of Financial Condition (Attachment No. 1)
2. Profit or loss and other comprehensive income statement (Attachment No.2)
3. Statement of Changes in Equity (Attachment No. 3)
4. Cash Flow Statement (Attachment 4)
5. Significant accounting policies and explanatory notes

In industrialized countries, as well as in industrial and commercial enterprises, due consideration is given to accounting in agricultural enterprises. Agricultural accounting standards for countries such as the US, Canada, Australia, New Zealand, France, and England have been around for a long time, and since 2003, the application of IASs in agriculture has been applied in the European Union. Farm Accountancy Data Network: FADN As mentioned above, in accordance with the aforementioned standard in our country, NAS 28 has been developed.

III. Solutions for problems in reporting system of agricultural companies and its impacts in development of agriculture sector in Azerbaijan

III.1 Growth trends in agricultural sector over the world and using methods in the accounting system of agricultural companies

The world's populace is anticipated to develop to nearly 10 billion by 2050, boosting agrarian request – in a situation of unassuming financial development – by a few 50 percent compared to 2013. Pay development in middle-income nations would hurry a dietary move towards higher utilization of meat, natural products and vegetables, relative to that of cereals, requiring commensurate shifts in yield and including weight on characteristic assets.

The decrease within the share of agriculture in add up to generation and work is taking put at diverse speeds and postures diverse challenges over districts. In spite of the fact that rural speculations and mechanical developments are boosting efficiency, development of yields has moderated to rates that are as well moo for consolation. Nourishment misfortunes and squander claim a noteworthy extent of rural yield and lessening them would reduce the require for generation increments. Be that as it may, the required increasing speed in efficiency development is hampered by the corruption of common assets, the misfortune of biodiversity, and the spread of transboundary bothers and illnesses of plants and creatures, a few of which are getting to be safe to antimicrobials.

Agrarian production more than tripled between 1960 and 2015, owing in portion to productivity-enhancing Green Revolution innovations and a critical development within the utilize of arrive, water and other common assets for agrarian purposes. The same period seen a surprising handle of industrialization and globalization of nourishment and farming. Nourishment supply chains have stretched significantly as the physical separate from cultivate to plate has expanded; the utilization of handled,

bundled and arranged nourishments has increased in all but the foremost separated country communities.

High-input, resource-intensive cultivating frameworks, which have caused enormous deforestation, water shortages, soil exhaustion and tall levels of nursery gas emanations, cannot provide economical nourishment and rural generation. Required are imaginative frameworks that ensure and improve the characteristic asset base, whereas expanding efficiency. Required may be a transformative handle towards 'holistic' approaches, such as agroecology, agro forestry, climate-smart horticulture and preservation agribusiness, which too construct upon indigenous and conventional information. Innovative advancements, along side exceptional cuts in economy-wide and rural fossil fuel utilize, would offer assistance address climate alter and the escalated of characteristic risks, which influence all biological systems and each perspective of human life. More noteworthy universal collaboration is required to anticipate rising transboundary horticulture and nourishment framework dangers, such as bugs and infections.

All things considered, determined and broad starvation and lack of healthy sustenance stay a tremendous challenge in numerous parts of the world. The current rate of advance will not be sufficient to kill starvation by 2030, and not indeed by 2050. At the same time, the advancement of nourishment frameworks has both reacted to and driven changing dietary inclinations and designs of overconsumption, which is reflected within the amazing increments within the predominance of overweight and corpulence around the world.

Growing food production and financial development have regularly come at a overwhelming fetched to the characteristic environment. Nearly one half of the timberlands that once secured the Soil are presently gone. Groundwater sources are being drained quickly. Biodiversity has been profoundly disintegrated. Each year, the

burning of fossil powers transmits into the air billion of tons of nursery gasses, which are mindful for worldwide warming and climate alter.

All of these negative patterns are quickening in pace and escalated, and farming is an imperative portion of the issue. Deforestation, basically for cultivating, produces a critical share of worldwide nursery gas outflows and causes the annihilation of living spaces, the misfortune of species and the disintegration of biodiversity. The rate of characteristic fiascos has expanded fivefold since the 1970s. Deforestation, the corruption of common buffers ensuring coastlines and the destitute state of framework have expanded the probability that extraordinary climate occasions will raise into full-fledged calamities for influenced communities and the economy. The extending of nourishment chains and changes in dietary designs have assist expanded the asset-, vitality-, and emission-intensity of the worldwide nourishment framework.

These trends undermine the supportability of food frameworks and weaken the world's capacity to meet its nourishment needs. In spite of the fact that the total suggestions of climate alter on horticulture, ranger service and fisheries are troublesome to foresee, it is anticipated that the impacts will be of diverse levels and of a distinctive nature in each locale, environmental zone and production system. Indeed little changes within the climate, for illustration slight shifts in yearly precipitation or regular precipitation designs, can extremely influence productivity.

The complex and unpretentious connections between the utilize of accounting frameworks (record-keeping combined with money related detailing) and monetary performance has been investigated within the nonagricultural divisions (in specific, recorded companies or indeed small businesses). For illustration, there's observational evidence that proprietors of little commerce proprietors within the U.K. coordinate with their bookkeepers. Be that as it may, a plenty of bookkeeping data, at that point organized monetary information, delivered by the bookkeeping framework may not indeed be completely utilized by supervisors. It should be noted that a wide investigate

gap alluding to the rural segment still exists. In agriculture, compared to other segments of economy, budgetary administration is emphatically decided by interesting determinants of agrarian production that are depicted in writing on rural economics/finance and cultivate administration.

Within the modern cultivating environment understanding the trade is fair as critical as understanding the cultivate. We cannot cultivate proficiently without a nitty gritty information of each angle of the farm including soil sorts, precipitation, supplement levels, slant and micro-climate. We ought to create the same discipline when it comes to the monetary angles of the cultivate commerce. In any case, attempting to do this from the yearly cultivate accounts isn't easy – especially as those accounts commonly arrive on cultivate work areas well after the money related year conclusion. Utilizing that information to make administration accounts will take a small time to do but will procure rewards through the capacity to have a more precise picture of the commerce, its profitability and execution. Administration accounts will permit for comparison with comparative businesses or with published midpoints from information sources like DEFRA's Cultivate Trade Study. Taking after those comparisons action can be taken to play to the qualities of the trade and bargain with its weaker area.

Management accounts will moreover give the capacity to keep one step ahead of those included in the commerce be that the bank supervisor, proprietor, providers or buyers. Having the management accounting information to hand will enormously help within the inescapable transactions that will be required with these people. Knowing the commerce as well as the farm will be essential to urge the leading bargain for you in any of these negotiations.

A farm's monetary accounts are made up of a profit and loss account, a balance sheet and notes to the accounts, which depict the bookkeeping approaches utilized to get ready the accounts.

We will use the illustration accounts of “House Farm” to appear how you will survey profit and capital, and at each stage you will be able carry out the exercises yourself utilizing your possess accounts. “House Farm” could be a 130-hectare owner-occupied dairy cultivate with 120 draining bovines. It moreover produces cereals and potatoes.

The trading performance of the trade over the year is measured by the net profit (some of the time just called ‘profit’). Net profit or ‘profit’ is concerned exclusively with things of pay and use, counting deterioration, emerging from the exchanging exercises of the commerce, for case, offering wheat, buying compost and so on. The profit and loss account you get from your bookkeeper might contain more detail beneath each heading but will likely see something like this:

Table 3. “House Farm” Profit statement

Sales and subsidies	350.000
Sundry revenue	2.000
Total	352.000
Cost of sales	
Opening balance	144.000
Costs	125.000
Less closing balance	136.000
Total	133.000
Gross profit	219.000
Overhead costs	
Labor	51.000
Machinery (including depreciation)	70.000
Property and land expenses	10.500
General overheads	10.000
Rent and finance costs	45.000
Total overheads	186.500
Net profit	32.500

Source: prepared by the author.

The value of trading stocks at the begin (opening valuation) and conclusion (closing valuation) of the year is included within the net benefit calculation. Stocks incorporate crude materials, cultivations, animals and collected crops in store.

Net output is the total esteem of everything the farm business produces amid the year along with suitable appropriations and other support installments (government stores). At year-end you will have unfinished or wrapped up create that you simply have not sold, subsequently net yield incorporates the closing valuation for the year. The opening valuation is taken off because, although it will contribute to the current year's deals, it relates to the generation movement of the past exchanging year. The esteem of animals buys is additionally deducted. At this point you would like to be mindful of two key contrasts that can happen between the monetary accounts arranged by your bookkeeper and administration accounts.

To begin with, in administration accounts, at the opening and closing valuations, animals and collected crops on the cultivate are esteemed at showcase costs. Within the accounts arranged by your accountant be that as it may, they could be based on cost of production instead of market costs. In case this can be the case, the valuations can be modified very effectively to make management accounts but it will be worth liaising along with your bookkeeper some time recently doing this. Within the illustration underneath it is accepted that the valuations of animals and gathered crops have been based on market costs.

Second, financial accounts are arranged in regard of the financial year. Management accounts, be that as it may, especially for ranches with key arable endeavors, are frequently based on the 'harvest year'. This makes it simpler to compare the financial execution of one collect with another. To utilize the leftover portion of this booklet it is not vital to change over your accounts to a collect year basis. In case you want to plan administration accounts on a collect year premise it would be worth looking for pro advice.

The profit and loss account appears the income, costs and profit from running the commerce over the fiscal year. The benefit and misfortune account highlights the foremost imperative contrasts between monetary bookkeeping and administration

bookkeeping. The major contrasts between the monetary and administration forms of the benefit and misfortune account are as takes after.

- The management account gives more data.
- Management accounts incorporate an assessed lease against possessed arrive.
- Management accounts incorporate a cost against unpaid work.
- In financial accounts, valuations of animals and crops are more often than not based on production costs. In management accounts, they are regularly based on their market value.

The primary step in changing over the profit and loss account from a financial into a management account is to understand the terms utilized within the budgetary form and how they fit together. The chart underneath appears the most terms and how these lead to net benefit. There ought to be a few similitudes together with your profit and loss account, although accounts do shift from cultivate to cultivate in their format and detail.

III.2 Arising results from application of internationally used methods to the domestic companies

Changes in the socio-economic life of the country in recent years require the use of laws and regulations of economically developed countries. This causes a number of problems in the application of international standards and principles to the accounting model of Azerbaijan. A characteristic feature of the Azerbaijani national accounting model is that the main criterion in the development of the accounting and reporting system is the interests of the treasury (tax). Legislation that does not have a sufficient normative-legal level defines conservatism, details the accounting procedure and strictly regulates it. In such circumstances, accounting cannot become a flexible tool to respond immediately to economic changes in the country. As is well known, production potential is the basis for the production of material goods. Production potential is a system of many elements, each of which has a different impact on the production

process of the finished product. Sometimes the existing potential is not fully used. Therefore, the analysis of production potential should be carried out with the coordination of all its elements. In the process of implementing the draft European Standards on Accounting Reforms in the Republic of Azerbaijan, a project was developed on the basis of IFRS for the development of the agricultural sector. Azerbaijan balances IFRS with accounting policies. It should be noted that there are some controversial points in the fair valuation of assets.

As it is known, accounting is a link that connects different types of activities in all sectors of the economy. Therefore, accounting is often called the language of business. Thus, financial statements and estimates, calculation of the cost of manufactured products, determination of budget deficit, calculation of taxes and assessment of investment policy are considered to be the result of accounting. In other words, accounting reflects an important and useful area of activity for any society.

Recently, great attention has been paid to the unification of accounting at the international level. The growing role of international integration in various sectors of the economy requires the harmonization of accounting and reporting practices in different countries and their transparency.

Unified harmonization of national accounting systems of different countries is important, first of all, for potential foreign investors. Thus, it is important for foreign investors to have clear, transparent and realistic financial statements of the relevant business entity that is the object of investment.

In general, the improvement of accounting systems in developed countries began during periods of economic growth. This process has developed at different rates in each country at different times. As a result, more than 100 different national accounting systems have emerged in different countries.

The national accounting system of each country is determined by national standards, which reflect the directions and trends in the development of accounting. Thus, the national accounting system is characterized by a set of methods and techniques used in the assessment of accounting objects, the accounting of business transactions and processes, the content systematization of financial reporting forms and control over the activities of enterprises.

The study of trends in the development of accounting in different countries provides extensive information on how and why the concepts and methods of accounting applied in those countries differ from each other. For this reason, professional accounting circles have tried to classify the national accounting systems used in different countries into historically different groups. There were different criteria and approaches in determining the classifications proposed by different authors. Among the most commonly used such criteria and approaches are:

- ✓ Defining the sphere of influence of the main country;
- ✓ Analysis of accounting methods;
- ✓ Assessment of the type of legislative systems;
- ✓ Different methods of valuation of accounting objects;
- ✓ Methods of submission of report information, etc.

One of the issues that increases the effectiveness of management at the micro level (economic entities) is the management of socio-economic development of society, and the other is the creation of conditions that ensure the effective operation of market mechanisms with the constant attention of scientists and specialists in various fields of science and activity. Various models, methods and tools are used to develop solutions and tools for such issues. However, it should be noted that the provision of appropriate information has not yet reached the required level. It does not fully meet the

requirements of a modern market economy, does not guarantee transparency, easy access, authenticity and timely delivery of information to the user.

During the transition of the Azerbaijani economy to the use of market mechanisms, it became clear that along with the development of accounting methods, techniques and tricks formed during the administrative-command management system, it is necessary to create a more effective and flexible accounting and control system. It is necessary to reconsider the methodological basis. The most important task facing the state for the development of a market-oriented economy is to organize the accounting for the effective management of the economy on the basis of a new scheme of principles, to substantiate its theoretical essence and identify ways to implement it in practice.

Attempts to organize the principles of accounting individually and collectively date back to the 20th century. The main purpose of these processes is to reduce the uncertainty in the accounting system and to fully express it in the economy. For example, in American accounting, internal professionalism rules have virtually limited freedom of action as a whole by adhering to basic accounting principles. At present, there are no common principles adopted by all countries and accountants. Approximate similarities of several principles can be seen in various scientific and practical sources, but differences can always be seen. By the way, the list of basic principles of accounting (theory of accounting) presented by Professor YV Sokolov can be noted in this sense. These are integrity, independence, registration, continuity, identity, quantity, relativity, completeness, control, stability, non-contradiction, revelation, clarity and coherence.

Other principles can be added to this list. However, comparative information in the financial statements will not be available if the accountant refers to the basic principles in his or her day-to-day operations. Therefore, a number of factors in the conduct of accounting and reporting forced the development and use of the conceptual framework of financial reporting, the introduction of legislative norms and standards governing the activities of organizations.

The conceptual framework flexibly reflects the characteristics of the socio-economic, legal, political and historical conditions of any country. The advantages of conceptual framework are so important that many countries attach special importance to their development. The development of conceptual frameworks allows: - to identify the external accounting data and ensure that the financial statements are more comparable by making them non-contradictory;

- to prepare a report without waiting for the adoption of relevant standards in the formation of new conditions, operations, objects of accounting;
- take into account the social, economic and diversified characteristics of the country when formulating the objectives of the reports;
- to stimulate the further development of accounting, as the development of concepts creates the basis for the formation of new theories, accompanied by the struggle of different views and different positions;

Accounting concepts have an important impact on the management of the financial reporting information system as a scientific category.

It should be noted that these concepts do not fully reflect the development of the Azerbaijani economy at this stage. In order to achieve a balance between the past, present and future, the general requirements for the development of accounting should be clearly reflected in the concepts, the priority groups of users of financial statements should be identified, the functions of the conceptual framework should be defined, the nature of financial reporting elements should be analyzed. their acceptance criteria should be defined, the approaches selected from all available options should be substantiated, the requirements of the organizational structure should be defined, and lists of controversial issues should be compiled.

A characteristic feature of the Azerbaijani national accounting model is that the main criterion in the development of the accounting and reporting system is the interests of

the treasury (tax). Legislation that does not have a sufficient normative-legal level defines conservatism, details the accounting procedure and strictly regulates it. In such circumstances, accounting cannot become a flexible tool to respond immediately to economic changes in a country. Therefore, the conceptual framework of international standards cannot be underestimated in the process of reforming national accounting in order to regulate its principles, rules and norms as a guarantee of the interests of users of financial statements.

For the further development of accounting in the Republic of Azerbaijan in accordance with International Financial Reporting Standards (IFRS), we need to know how our economy differs from the general theory and practice of countries with theoretically and practically developed market economies. According to the international principles of accounting, the quality characteristics of information are the features of accounting information that increase its usefulness. They have a dual direction, one for users, the other for administrators. The quality characteristic of information is its transparency and clarity, which is reflected in the financial statements. At the same time, if there is unclear information, which directly affects the decision-making process, the responsibility for its disclosure rests with the accountant, who has the right to use alternative forms of disclosure.

In Azerbaijan, this principle is not emphasized anywhere, but only in the logic of preparation and presentation of information. Until recently, the clarity of reports was provided in the format of the requirements of the Ministry of Finance of the Republic of Azerbaijan. There should be relevant information for making economic decisions on conceptual grounds. Such a quality can only influence decision-making by evaluating past, present, and future events. One of the limitations of financial reporting is that it focuses on past events, with little focus on the future. But what matters to users is the decisions they make about the future.

According to IFRS and NAS (National Accounting Standards) students, the revenue

from the use of information must be greater than the cost of obtaining it. The condition that complicates the relationship between income and expenses is that, on the one hand, costs do not always apply to revenue-generating users, and on the other hand, information can be used by irrelevant users. A similar requirement in the practice of Azerbaijan implies the efficiency and economy of accounting arising from the conditions of economic activity and the scale of the enterprise. However, this requirement limits the information contained in the financial statements rather than giving it a qualitative character.

In addition to the basic requirements for the quality of ready-made information, IFRS and NAS set requirements for the process of its preparation, accounting and reporting. Such principles include a number of conditions (probabilities) and are applied in accounting. It is not necessary to disclose them in the accounting policy of the enterprise, because their adoption is already planned. Probabilities (conditions) are aggregated according to the economic environment in which the accounting is conducted. In this case, the limits of accounting are reflected by setting certain limits on the submission of accounting information.

Under IFRS principles, a liability is a loan arising on the reporting date of an entity that results in a reduction in economic benefits. Liabilities may arise on the basis of contracts. Liabilities can be repaid in a variety of ways: by direct payment, by the transfer of other assets, by the provision of services, by the replacement of a liability with another liability, by the replacement of a liability with equity, by the removal of a lender's claim. This reveals several features of liabilities:

- ✓ the liability leads to the transfer of the asset in the future,
- ✓ in case of loss of profit, payment of such obligation is obligatory,
- ✓ The obligation is conditioned by past events.

Table 4. Disclosure of elements of financial statements in accordance with IFRS and Azerbaijani legislation:

IFRS	National legislation	In Azerbaijani practice
Assets	Assets are defined as property (must provide a future return on assets as a result of the entity's past control)	Definitions do not match
Liabilities	As a result of the factors taken into account, the credit debt of the enterprise as of the reporting date will lead to a decrease in assets	Liabilities are considered as a source of funds
Equity	It is the difference between assets and liabilities, consisting of equity investments and retained earnings	It means both funds and resources
Income	The definition matches	Definitions are not appropriate, they are regulated by normative documents
Expenses	The definition matches	Definitions are not appropriate, they are regulated by normative documents

Source: prepared by the author.

Under IFRS principles, a liability is a loan arising on the reporting date of an entity that results in a reduction in economic benefits. Liabilities may arise on the basis of contracts. Liabilities can be repaid in a variety of ways: by direct payment, by the transfer of other assets, by the provision of services, by the replacement of a liability with another liability, by the replacement of a liability with equity, by the removal of a lender's claim. This reveals several features of liabilities:

- ✓ the liability leads to the transfer of the asset in the future,
- ✓ in case of loss of profit, payment of such obligation is obligatory,
- ✓ The obligation is conditioned by past events.

According to the definition of IFRS and NAS, capital is the residual share in the assets of the enterprise after the payment of liabilities. In other words, it is the private capital

of the enterprise, consisting of the capital of the owners and the income collected. It can be subdivided into subclasses when making decisions for users of financial statements, or it can be divided into other divisions in the use of equity.

III.3 Ways to improve the reporting system of agricultural companies in Azerbaijan

Purposeful development of the agrarian sector depends primarily on the proper organization of accounting. Research shows that the tendency to keep records on peasant farms has decreased due to the fact that income from the agricultural sector is generally tax-exempt. Farmers are only required to file income tax records for the wages of employees they formally hire, and so on. keep records of income tax from the source of payment. It is not enough to get full information about the financial condition and financial results of the farmer. In addition, access to accurate information on the regions is weak due to the inaccurate accounting of individual agricultural products planted and cultivated in the regions each year in connection with agricultural products. All this leads to a decrease in the interest of those who want to invest in the agricultural sector. (Atakishiyev, Fatullayev 2017)

The actuality of the problem makes it necessary to carry out awareness-raising work in this area. It is clear that in modern times there is a great need for economic literature that justifies the importance of accounting in rural farms, including increasing access to financial resources. It should be noted that the attraction of investment and the accounting of farms are interrelated and form a unity.

In developed countries, as in industrial and commercial enterprises, agricultural enterprises pay due attention to accounting. In countries such as the United States, Canada, Australia, New Zealand, France and the United Kingdom, accounting standards for agricultural transactions have long been in place, and since 2003, the application of IAS to agriculture has led to the introduction of common accounting

principles in the European Union. Farm Accountancy Data Network (FADN) has been established. As mentioned above, NAS 28 was developed in our country in accordance with the above-mentioned standard.

Worldwide encounter appears that the integration of auxiliary ranches, laborer ranches in agrarian cooperatives and the trade of rural items through these cooperatives is of incredible significance within the improvement of farming. At the same time, it advances the opportune, total and straightforward organization of the conveyance of agrarian items to shoppers, transport foundation, particularly monetary and measurable detailing frameworks. The Law of the Republic of Azerbaijan dated July 18, 2016 "On Rural Participation" is of uncommon significance in this respect. In this way, the law contains a number of provisions that can serve to extend straightforwardness in cooperatives, the lawful premise for their application, and "extension of budgetary and credit administrations to cooperatives and rustic inhabitants" is one of the most headings of state back for rural participation (Article 13 , paragraph 13.1.7). At the same time, uncommon consideration was paid to free review in this range. Article 5, section 4 of the Law stipulates: "Regulation of monetary and financial exercises of cooperatives, end of inadequacies that negate the interface of agreeable individuals, decline the cooperative's exercises or lead to its insolvency. In arrange to extend the effectiveness of the administration of the agreeable, an audit is carried out within the agreeable in agreement with the Law of the Republic of Azerbaijan "On Reviewer Service". The commitments made by this law required the creation of a methodological system for the application of free audit in rural cooperatives, which is one of the most underwriters of the straightforwardness of budgetary articulations of cooperatives.

- 1) The Law of the Republic of Azerbaijan "On Rural Cooperation" states that an agrarian agreeable may be a deliberate affiliation of agrarian makers based on membership for joint exercises and could be a lawful substance set up to meet the fabric and social needs of its individuals through solidification of property

shares. Article 1, passage 1.1.2) World involvement appears that the organization of agrarian generation within the shape of cooperatives has the taking after advantages:

1. Production of agricultural products in cooperatives has a low level of risk
2. Allows the organization of a more advanced transport infrastructure
3. More adapted to the market economy
4. Less exposed to the negative effects of sharp price changes
5. Attractive for large investments
6. Suitable for application of typical financial instruments (leasing, etc.)
7. Allows the organization of transparent financial reporting

An important aspect of cooperation is that it can provide transparency in an entire sector of the economy that is difficult to observe. This includes, first of all, the volume of products produced on auxiliary and peasant farms and retail, wholesale, informal employment, movable and immovable property, natural resources (water, etc.), raw materials and resources (fertilizers, chemicals, seeds, spare parts, etc.). Proper organization of control will allow entrepreneurs to obtain information for management purposes, on the one hand, and on the other hand, for the state planning, provision of auxiliary resources, development of long-term strategy for import substitution, food security, employment, implementation of social measures can provide accessibility.

In accordance with the legislation, the balance sheet, profit and loss statement, turnover table reflecting the balance of assets, liabilities, income, expenses, accounts at the end of the period covered by the audit must be obtained. After making sure that the balance sheet, profit and loss statement is filled in correctly according to the turnover table, the mathematical accuracy of the amounts should be checked and reconciled with the general ledger data. All synthetic accounts should be checked for inclusion in the

turnover table and for compliance with existing legislation. According to the turnover schedule, the turnover and balances to be audited for each audit section should be grouped by sections, and the amounts that are more materially significant (likely to have a significant effect on the financial (accounting) statements) should be identified. Amounts that are not significant in the turnover table (which are unlikely to have a significant effect on the financial (accounting) statements) should be treated as non-material indicators. Balances of assets and liabilities denominated in foreign currency should be properly assessed and reflected in the reports in accordance with the official exchange rate of the Central Bank of the Republic of Azerbaijan at the end of the reporting period. This year's reports should be compared with last year's reports, and the reports should check the similarity of the indicators on the balance sheets on the same date (end of the year and beginning of the next year). If serious deviations are found, the reasons should be clarified.

Most small agricultural producers do not have tax records, and some of them are not registered with the tax authorities. That is, the level of tax control over the agricultural sector is very low. This means that economic indicators about these producers are not recorded anywhere. Recently, certain measures have been taken to tax producers who are not registered in the agricultural sector. Since mid-2019, more than 10,000 agricultural producers and owners of agricultural lands have been registered. This is not a small indicator and the process continues. Moreover, it should be noted that there were no records of a large number of tax-registered individuals operating in the agricultural sector. In short, these individuals were included in the tax records for other purposes.

In order to eliminate this problem, meetings with producers and awareness-raising activities should be carried out.

A presentation of a pilot project on clarification and transparency of accounting in agriculture was held in regions of Azerbaijan republic. It was noted that the main

purpose of improving accounting in agriculture is not to tax producers operating in this field, but to keep accurate records. Later, zonal meetings were held in other regions of the country, and the scope of tax control in this area was further expanded.

In order to ensure the accuracy and transparency of tax accounting following information should be collected:

- subsidies provided by the Electronic Agricultural Information System (EAIS) of the Ministry of Agriculture;
- official statistics from the State Statistics Committee on the electronic database of individual books and "Production, supply of goods and services by agricultural enterprises" According to the report, the volume of production of legal entities;
- loans from the Fund for Entrepreneurship Development of the Ministry of Economy for agricultural purposes;
- landowners from the territorial offices of the State Real Estate Registry Service of the Republic of Azerbaijan and people provided with equipment, livestock from employment agencies within the framework of self-employment for agricultural purposes;
- amounts of subsidies from local financial departments (divisions);
- information on landowners (tenants), family farms from executive authorities and municipalities;

Activity Directions:

3.1 Correction and transparency of tax accounting in the field of agricultural production is carried out in the following areas:

3.1.1. Registration for the purposes of compulsory state social insurance - this category includes persons who own agricultural lands and heads of family farms.

3.1.2. Registration for tax purposes (exempt) - this category includes the registration of persons engaged in the production and export of agricultural products for tax purposes.

3.1.3 Authentication of accounting information.

4. Reconciliation of the obtained information with the basic data of the Ministry of Taxes and carrying out verification works.

Agricultural producers can benefit from government subsidies, loans and various assistance if they are registered and submitted tax reports in accordance with existing legislation. All this will encourage farmers to register for tax purposes and submit their real turnover.

Conclusion

Although we look at factors such as accounting and taxation in the agro-industrial sector, their current state and development trends, the economic experience of advanced countries, we can conclude that there is a need for systematic development of this sector. The most important factor in the development of the agro-industrial sector is to ensure food security. Every country, whether more or less developed, is engaged in agrarian activity. There are a number of countries that do not have economic sectors such as the electronics industry, the aerospace industry or the automotive industry, but every country has an agrarian industry. Because agricultural products are directly a food source of primary importance for human life. This is the main reason why the agro-industrial sector is so important. Each country considers it important, first of all, to fully provide the population with food products when building its economy and shaping its economic policy.

According to research, if the level of activity of the agro-industrial sector remains at the current pace and does not develop, then by 2040 it will no longer be possible to provide food to half of the world's population. In this regard, a number of international commissions are being established, the powers of relevant international organizations are being increased, and states are being involved in the union to resolve this issue together. Steps are being taken to achieve development and prosperity in the food industry and trade. In 2050, the world's population is projected to reach 9.3 billion people. According to the Food and Agriculture Organization (FAO), to provide food to 9.3 billion people, it is necessary to increase agricultural productivity by 70% compared to the current period.

In this regard, each country strongly supports the development of the agricultural sector. From this point of view, the issues of improving the modern conditions and developing future-oriented measures are also relevant in the Republic of Azerbaijan. Priorities for 2016-2020 have been identified and justified for the implementation of each strategic goal in the agro-industrial sector. Priorities in the agricultural production and processing sector are projected to increase real GDP by 525 million manat in direct and 660 million manat indirectly in 2020, a total of 1.235 billion manat, and create about 20,000 new jobs. To achieve this, 1.170 billion manat was allocated from public financial resources.

Every factor that will ensure the development of the agro-industrial sector in our country is carefully considered. Proper organization of accounting and taxation of each economic process in agro-industrial enterprises are also among these factors. If increasing the productivity of agro-industrial enterprises is so important for the future of the people, the establishment of a proper accounting system is also important to increase the efficiency and quality of work of these enterprises.

It would be expedient to note the importance of establishing an adequate reporting system in agro-industrial enterprises in modern economic conditions. Accounting and financial control are characterized as the most important factors to consider when organizing a financial structure. Within the framework of the country's economic development strategy for 2016-2020, a set of necessary measures has been developed to fully address the accounting and tax issues in agricultural enterprises. It is not easy to do so. Reforms in the legislation of the Republic of Azerbaijan, recognition of wider powers to relevant bodies, cooperation with DDCs and international organizations, harmonization and application of international standards in the country's financial environment, development of more effective regulations and documents in the field of accountability, regulation of internal and external financial control. We can cite many such facts as examples of steps taken by the state. However, the accounting system in the agricultural sector, especially internal accounting, is still not at the desired level.

The area of agro-industrial endeavors, basically within the districts, exterior the central control bodies, also makes troubles within the bookkeeping framework and tax registration of agricultural enterprises. In this respect, there's a have to be develop the exercises of administrative organizations within the districts. As of now, in arrange to make strides the quality of the bookkeeping framework within the locales, it is imperative to set up tax control bodies and branches and divisions of a number of counseling companies. The comes about of these steps are anticipated to be observed for a few a long time and the necessary level of assess control within the agro-industrial segment will be accomplished. In any case, medium and little businesses in our nation,

particularly the heads of agro-industrial undertakings working within the districts, are not fascinated by setting up the vital level of inside bookkeeping framework. In arrange to unravel this issue, in understanding with the Tax Code of the Republic of Azerbaijan, the Laws of the Republic of Azerbaijan “On Social Insurance”, “On Employment” and “On Family Agriculture” and other legislative acts, methodological recommendations were prepared on tax accounting and transparency in agricultural production. Approved by the order of the Minister of Taxes dated July 26, 2019 No. 1917040100920400.

Although the organization of accounting and taxation in the agro-industrial enterprises of the Republic of Azerbaijan currently faces a number of problems, it is not difficult to predict that this problem will be eliminated in the near future. Based on the results of the research, it is important to take the following measures to solve this problem:

- 1) Proper establishment of the accounting system in small and medium enterprises can be achieved only by educating local entrepreneurs. Establishment of a transparent accounting system will increase the volume of production by obtaining accurate information on the actual volume of agricultural production, increasing the efficiency of existing agricultural lands, government subsidies, grants, loans to agricultural producers only to expand the activities of producers. It should serve to increase it at a faster pace and, as a result, to improve the welfare of those working in this field.
- 2) The establishment of a unified system for the collection of information on farmers and agricultural products, which includes the formation of modules covering all business processes from the initial stage to the final stage, will play a positive role in the registration of agricultural enterprises. The creation of a unified system for the collection of information on farmers and agricultural products, which includes the formation of modules covering all business processes from the initial stage to the final stage, will play a positive role in the registration of agricultural enterprises. In this regard, the establishment of EAIS by the Ministry of Agriculture plays an vital part. “Electronic Agricultural Information System” (EAIS) - incorporates the fundamental standards of the Service of Agribusiness of the Republic of Azerbaijan (vicinity to ranchers, straightforward and productive administration and application of development), comprehensive integration with household and remote frameworks and the establishment of an rural chain. could be a bound together framework that makes the ground. EAIS - covers all zones of farming over time, as well as extends the openings for integration with inner and outside frameworks, as well as to set up a consistent association of all agrarian forms, handle completion, examination, application of cutting edge specialized arrangements, precise information estimating. Data on the lands of the agriculturist enlisted in EAIS, the plants to be planted and planted by them, the creatures that are the subject of endowments

will be reflected within the cabinet. From January 1, 2020, endowments will be given through the Subsidy Information System (SIS), a subsystem of the EAIS. Agriculturists who are not enlisted in this framework will not be able to get endowments. This will empower agrarian makers to enroll in this framework.

- 3) At present, the predominance of small farms is one of the main problems of the agricultural sector. Opportunities for the establishment of proper accounting systems in small farms, as well as the application of modern agricultural machinery, the establishment of efficient land reclamation and irrigation systems, access to credit on favorable terms are limited. Establishment and development of agricultural cooperation to reduce risks in the agricultural sector, ensure efficiency in agricultural production, establish flexible links between production, processing and services, increase investment activity in the agricultural sector, strengthen the position of local producers in the domestic market, effective implementation of agro-technical rules. application, establishment of accounting, reporting and control in agriculture, production of competitive products, efficient use of land, increase of labor productivity, state to the agrarian sector more rational organization of support, increase of farmers' incomes will create favorable conditions.

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