THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL GRADUATE AND DOCTORATE CENTER

MASTER DISSERTATION

On the topic

“DEVELOPMENT OF THE METHODOLOGY FOR PREPARING THE FINANCIAL STATEMENTS OF THE ORGANIZATION IN ACCORDANCE WITH THE REQUIREMENTS OF IFRS”

Nasibova Aygul Xagani

BAKU - 2022

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN
AZERBAIJAN STATE UNIVERSITY OF ECONOMICS
INTERNATIONAL GRADUATE AND DOCTORATE CENTER

Head of the International Center for Graduated Education
Assoc. Prof. Dr. Ahmedov Fariz Saleh
________________________ signature
“_____” ________________ 20__

MASTER DISSERTATION
On the topic

“DEVELOPMENT OF THE METHODOLOGY FOR PREPARING THE FINANCIAL STATEMENTS OF THE ORGANIZATION IN ACCORDANCE WITH THE REQUIREMENTS OF IFRS”

Code and name of the specialty: 060402-Accounting and Auditing
Specialisation: “Accounting and auditing in the field of production”
Group: 454

Master’s Student:
Nasibova Aygul Xagani

______________signature

Supervisor:
Ph.D in Econ. Alizade Namiq Zahid

______________signature

Program Manager:
Ph.D in Econ. Valiyev Jabrayil Khalil

_______________signature

Head of the Department:
Dr. of Econ. Prof.
Kalbiyev Yashar Atakishi

________________signature

BAKU - 2022

Elm andı

Mən, Nəsibova Aygül Xəqani qızı and içirəm ki, "Development of the methodology for preparing the financial statements of the organization in accordance with the requirements of IFRS " mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

“MHBS-NİN TƏLƏBLƏRİNƏ UYĞUN OLARAQ TƏŞKİLATIN MALİYYƏ HESABATLARININ HAZIRLANMASI METODOLOGİYASININ İŞLƏNİB HAZIRLANMASI”

XÜLASƏ

Tədqiqatın aktuallığı: Maliyyə hesabatları korporasiyanın fəaliyyəti, əməliyyatları, pul vəsaitlərinin hərəkəti və ümumi şərtləri haqqında məlumat verməklə, müəyyən bir zamanda şirkətin maliyyə dayanıqlılığını təqdim edir. Səhmdarlar, xüsusən də korporativ məsələlərdə səsvermə vaxtı gəldikdə, onların səhm investisiyaları ilə bağlı əsaslandırılmış qərarlar qəbul etmələrinə ehtiyac duyurlar.

Bu kapital qiymətləndirmələrini etmək üçün səhmdarların ixtiyarında olan müxtəlif alətlər var. Daha yaxşı qərarlar qəbul etmək üçün onların ehtiyatlarını bir neçə ölçüdən deyil, müxtəlif ölçmələrdən istifadə edərək təhlil etmələri vacibdir. Bu baxımdan MHBS-nin tələblərinə uyğun olaraq təşkilatın maliyyə hesabatlarının hazırlanması metodologiyasının işlənib hazırlanması hazırda olduqca aktual mövzdur.

Tədqiqatın məqsədi: Tədqiqatın məqsədi MHBS-nin tələblərinə uyğun olaraq təşkilatın maliyyə hesabatlarının hazırlanması metodologiyasının işlənib hazırlanması prosesini araşdırmaqdır.

İstifadə olunmuş tədqiqat metodları: Araşdırmada müqayisə, analiz və sintez metodundan geniş istifadə edilmişdir.

Tədqiqatın informasiya bazası: Tədqiqatın informasiya bazası xarici və azərbaycan dilində yazılmış ədəbiyyatlar, internet resursları, habelə məqalə və jurnallardır.

Tədqiqat məhdudiyyətləri: Araşdırmanın aparılması üçün heç bir məhdudiyyət qeydə alınmamışdır. Məhdudiyyətin olmaması mövzunun araşdırılması prosesini olduqca asanlaşdırır.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Tədqiqatın elmi yeniliyi MHBS-nin tələblərinə uyğun olaraq təşkilatın maliyyə hesabatlarının müasir dövrə uyğun olaraq hazırlanması, praktiki nəticələri isə əldə edilmiş məlumatların müəssisələrdə istifadəsidir.

Nəticələrin istifadə oluna biləcəyi sahələr: Tədqiqatın nəticələrindən müəyyən təşkilatlarda çalışanlar, habelə bu sahəylə maraqlanan digər şəxslər istifadə edə bilər.

Açar sözlər: maliyyə hesabatı, MHBS, müasir metodlar, iqtisadiyyatın inkişafı, maliyyə.

"DEVELOPMENT OF METHODOLOGY OF PREPARATION OF FINANCIAL STATEMENTS OF THE ORGANIZATION IN ACCORDANCE WITH REQUIREMENTS OF IFRS"

SUMMARY

The actuality of the subject: Financial statements provide the financial stability of a company at a given time by providing information about the corporation's operations, operations, cash flows and general conditions. Shareholders need to make informed decisions about their share investments, especially when it comes time to vote on corporate issues.

There are various tools available to shareholders to make these capital estimates. In order to make better decisions, it is important to analyze their resources using different measures, rather than several. In this regard, the development of a methodology for preparing the entity's financial statements in accordance with the requirements of IFRS is currently a very relevant topic.

Purpose and tasks of the research: The purpose of the study is to examine the process of developing a methodology for preparing the entity's financial statements in accordance with IFRS requirements.

Used research methods: The method of comparison, analysis and synthesis was widely used in the research.

The information base of the research: The research database includes literature written in foreign and Azerbaijani languages, Internet resources, as well as articles and magazines.

Restrictions of research: There are no restrictions on the study. The lack of restrictions greatly simplifies the process of researching the subject.

The novelty and practical results of investigation: The scientific novelty of the research is the preparation of the organization's financial statements in accordance with the requirements of IFRS, and the practical results are the use of the obtained information in enterprises.

Scientific-practical significance of results: The results of the study can be used by employees of certain organizations, as well as other people interested in this field.

Keywords: Financial reporting, IFRS, modern methods, economic development, finance.

ABBREVIATIONS

IFRS	The International Financial Reporting Standards

CONTENTS

INTRODUCTION

The actuality of the subject: In the modern period of economic development in our country, the role of accounting and financial reporting in the management of enterprises and organizations is growing.

The application of international standards in the field of accounting and financial reporting in our country and the creation of national standards based on them adapted to the specifics of the Azerbaijani economy is aimed at the successful and favorable integration of the country's economy into the world's developed economic institutions.

In this regard, significant changes have taken place in many areas of accounting and financial reporting over the last decade. It can be said that accounting and financial reporting have been theoretically and practically modified and formed on a new economic basis that fully meets the requirements of a modern market economy.

The financial statements are the final product of the entity's accounting process and the final stage in the development of accounting information. The financial statements reflect the standard information provided by the entity to external users. Therefore, financial reporting has a special place in the process of teaching accounting to students.

Financial statements provide the financial strength of a company at a particular point in time, providing information about the corporation's operations, operations, cash flows and general conditions. Shareholders need to make informed decisions about their share investments, especially when it comes time to vote on corporate issues.

There are various tools available to shareholders to make these capital estimates. In order to make better decisions, it is important to analyze their resources using different measures, rather than several. In this regard, the development of a methodology for preparing the entity's financial statements in accordance with the requirements of IFRS is currently a very relevant topic.

Problem setting and level of learning: Development of the methodology for preparing the financial statements of the organization in accordance with the requirements of IFRS have been studied by a number of authors to date. These authors include Abbasov A.G., Sebzeliyev S.M., Guliyev Y.M., Ahmet K.A., Burcu A.L., Ergin A. I., Yayha U.I., Engin I.O., Ersoy A.U., Feride I.H., John L.A., Sign A.L., Ferra A. L., Henry N.I., Leoli I.N., Yorry U.U., Monroe I.T. and others.

The purpose and objectives of the study: The purposes of the topic are as follows:

a) To investigate the theoretical and methodological basis for the preparation of financial statements of the organization;

b) To investigate the methodology for preparing the financial statements of the organization in accordance with the requirements of IFRS;

c) To investigate development directions of the methodology of preparation of financial statements of the organization in accordance with the requirements of IFRS.

The objectives of the topic are as follows:

a) To investigate the basics of financial reporting;

b) To investigate the normative regulation of financial reporting in Azerbaijan and world practice**;**

c) To investigate the need for harmonization and standardization of financial statements**;**

d) To investigate the transformation of financial statements in accordance with IFRS**;**

e) To investigate an inventory as one of the methods to ensure the reliability of financial statements;

f) To investigate an accounting policy, changes and errors in accounting prices;

g) To investigate an accounting policy, changes and errors in accounting prices;

h) To investigate the problems in preparing financial statements;

i) To investigate the development prospects for the preparation of financial statements.

The object and subject of the research: The object of the research is the financial statements, and the subject is the development of a methodology for preparing the financial statements of the organization in accordance with the requirements of IFRS.

Research methods: The research was conducted using many methods, the first of which is the analytical method. This method is widely used in research. The analysis method in the study is designed to accurately study the development of a methodology for preparing an entity's financial statements in accordance with IFRS requirements.

The second method is a synthesis method. Unlike the previous method, the synthesis is used to combine the individual elements (properties) into a single whole for further study.

Another method used is the comparative method. This method is designed to differentiate by conducting analyzes. Internal sources are used first to clarify the issue. The results were reconsidered using diagrams and tables using the analysis method described above.

Another method we use is the risk assessment method, which is directly related to the above method. Once the risks have been identified, they are assessed and prioritized, considering the probabilities of occurrence and the impact they will have. This assessment considered both the probability of the risk occurring and, if so, the impact of the risk.

The information base of the study: Accounting Act, National Accounting Standards for Business Entities, business accounting policy, etc. He organized information about the development indicators on the internet resources.

The limitation of the study: There are no restrictions on the study. The lack of restrictions greatly simplifies the process of researching the subject.

Scientific novelty of the research: Scientific novelty and practical results of the research: The scientific novelty of the research is the preparation of the organization's financial statements in accordance with the requirements of IFRS, and the practical results are the use of the obtained information in enterprises.

Practical significance of the results and areas of application: The results of the study can be used by employees of certain organizations, as well as other people interested in this field.

CHAPTER I. THEORETICAL AND METHODOLOGICAL BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS OF THE ORGANIZATION

1.1. Basics of financial reporting

The role of information in the modern world is constantly growing. Entrepreneurial success, which is reflected in the profitability of entrepreneurial activity and the growth of capital, depends on the quality of economic information (Abbasov A.Q., Səbzəliyev S.M. 2013: p.45).

The completeness and reliability of information is an important condition for making investment decisions and selecting customers, suppliers and other business partners. An accounting report is information that is presented in a form that is acceptable to the user.

As you know, the report is usually written on paper and presented in the form of a paper carrier. However, in modern times, the report can be compiled both in electronic form and in other forms. In essence, the report is a link between the organization and other market participants.

At the same time, the reports prepared in different periods and the reports established by the legislation cannot be equated with other accounting reports. Periodic and legislative reports, above all, meet the needs of the state. At the same time, it is necessary to group in the form of reports some information that is not provided by law, but is directed to domestic needs. Such reports are usually used for management purposes.

In the modern period of economic development in our country, the role of accounting and financial reporting in the management of enterprises and organizations is growing. The application of international standards in the field of accounting and financial reporting in our country and the creation of national standards based on them adapted to the specifics of the Azerbaijani economy is aimed at the successful and favorable integration of the country's economy into the world's developed economic institutions.

In this regard, significant changes have taken place in many areas of accounting and financial reporting over the last decade. It can be said that accounting and financial reporting have been theoretically and practically modified and formed on a new economic basis that fully meets the requirements of a modern market economy.

All this has led to the need for in-depth study of accounting and financial reporting in the training of specialists in "060402-Accounting and Auditing". The financial statements are the final product of the entity's accounting process and the final stage in the development of accounting information. The financial statements reflect the standard information provided by the entity to external users. Therefore, financial reporting has a special place in the process of teaching accounting to students. Taking this into account, the state standard of bachelor's degree in "060402-Accounting and Auditing" provides for the teaching of financial reporting as a separate subject.

Financial reporting is the main source of information about an organization's economic processes. Accounting uses its own methods to develop an entity's business and financial processes in accordance with the requirements of financial reporting, and these methods are not used in other types of accounting (Abbasov A.Q., Səbzəliyev S.M. 2013: p.49).

The logical continuation of the registration and summarization of economic facts in accounting is reflected in the financial statements. Understanding the logic of the processing of accounting information and the formation of financial reporting indicators is a very important condition for making financial and management decisions as a whole.

Although financial statements are generally the same in different countries, the order in which they are prepared is different. In some countries, the procedure and principles of reporting, where the disclosure of accounting information is regulated by law. In other countries, those who compile the report are directly involved in this issue.

Therefore, reports prepared by economic entities may differ both in their external appearance and in their internal content. Much has been done in a number of countries to harmonize national accounting and reporting systems with international standards.

There is no doubt that their harmonization and sometimes standardization creates a favorable environment for business compared to the chaotic approach to reporting. The end product of accounting is the financial statement.

During 2005-2008, the Ministry of Finance of the Republic developed 37 National Accounting Standards for commercial organizations, 24 for budget organizations and 1 for non-governmental organizations. These standards have been applied in the accounting and reporting practice of the republic since 2008. The following information is formed in the accounting to meet the general needs of interested users:

a) Information on the financial condition of the business entity;

b) Information on the financial results of the business entity;

c) Information about changes in the financial position of the business entity or cash flows.

As it is known, information about the financial condition of the organization is mainly in the form of balance sheet, information on financial results in the form of profit and loss statement, and information on changes in financial position in the form of cash flow statement.

The content of primary accounting documents, accounting registers and other accounting and reporting documents is a trade secret. At the same time, state bodies have the right to get acquainted with accounting and reporting documents in the cases and in the manner prescribed by law.

The list of public institutions is determined by the executive authority and, if necessary, additions and changes are made to this list. An entity shall submit annual financial and consolidated financial statements at the end of the reporting period within 4 months and 6 months, respectively.

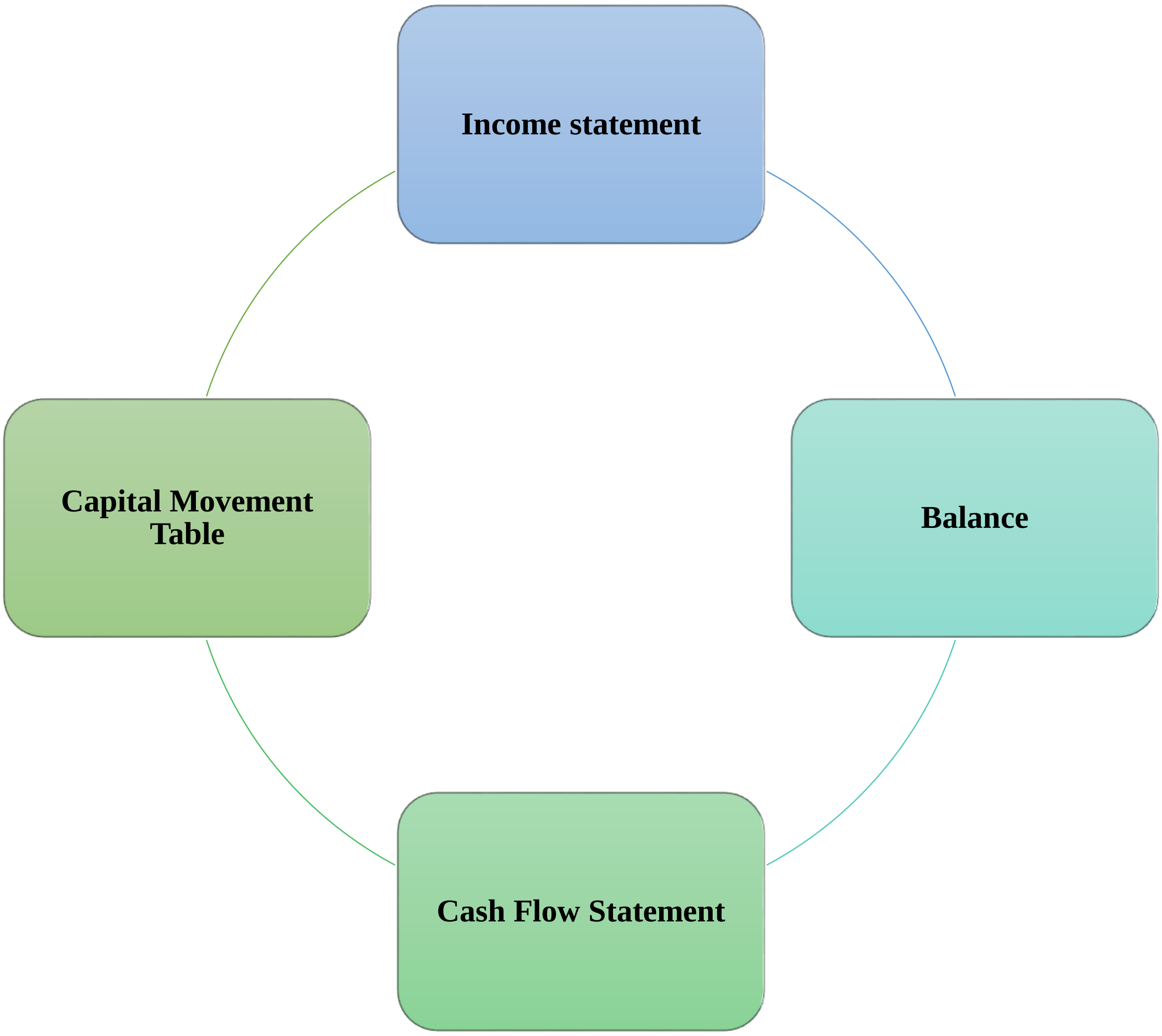
The preparation, submission and publication of financial statements is the responsibility of the company's board of directors or other governing body, and in the absence of such a body, the head of the entity. Financial reporting, in its simplest terms, means taking a financial picture of the business. Although it is mostly prepared due to legal obligations, it is very important to prepare and benefit from financial reports in order to make forward planning for businesses of all sizes.

In addition to publicly traded companies, companies that meet certain criteria, it is obligatory to prepare and publish financial reports. Investors who want to own the shares of the business decide by looking at the financial reports (Səbzəliyev S.M., Quliyev Y.M. 2018: p.102).

Banks provide loans to businesses based on these reports. In addition to these, financial reports can be prepared even if there is no legal obligation, and with the help of these reports, large investors can invest in the business (Səbzəliyev S.M., Quliyev Y.M. 2018: p.112).

Businesses traded on the stock exchange within the framework of legal obligations periodically (Səbzəliyev S.M., Quliyev Y.M. 2018: p.18):

Scheme 1: Businesses traded on the stock exchange within the framework of legal obligations



Source: https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/ - financial statements 2021.

Within the framework of legal obligations, companies that are traded in the stock exchange are obliged to periodically prepare and publish basic financial statements such as income statements, balance sheets, cash flow statements, and capital movement statements.

In line with the regulations of the Ministry of Treasury, these financial statements are prepared by using the accounting accounts kept in accordance with the Generally Accepted Accounting Principles. Financial statements must be certified by independent auditors within the framework of the legal regulations of the relevant institutions.

The prices of the company's stock are technically priced according to future cash flows. However, according to market conditions, the place where supply and demand meet determines the stock price precisely. Investors decide at what price to buy the stock by looking at the financial reports.

The importance of financial reporting also emerges here. Since the price of the stock is also very important in terms of the financing of the enterprise, the correctness of the financial statements and the correct analysis of the financial reports directly determine the financing capacity of the enterprise (Ahmet K.A. 2017: p.45).

Long-term investors analyze financial reports to calculate their dividend income expectations, while short-term investors analyze financial reports to predict where the stock price will go. Some of the analyzes made by looking at the basic financial statements are as follows:

Current rate

The ratio of the current assets of the enterprise to the short-term liabilities gives the current ratio. It is preferred that the current ratio is 2 or more. By looking at this ratio, banks can analyze the ability of the enterprise to pay its short-term debts and shape the decision to give credit accordingly.

Cash Ratio

The ratio of the sum of liquid assets and securities to short-term resources is the cash ratio and is expected to be above 1. It helps to see the cash resources that will meet the short-term debts of the business and this directly determines the financing opportunities.

Financing Rate

It shows how much of the short-term debts of the business can be met from its own resources. The ratio is expected to be above 1. If the ratio is below 1, it means that the business is managing its short-term debts with external financing sources, which indicates that the financing cost of the business is high (Ahmet K.A. 2017: p.78).

Cash Flow Statement

It is the table that shows the ability of the business to manage how much hot money, taking into account the cash amount at the beginning of the period and the cash amount at the end of the period, taking into account the cash inflows and outflows during the period.

Liquidity Ratio

It is the ratio of immediately convertible assets to short-term liabilities. Unlike the cash ratio, cash equivalents are also included in this ratio. A score above 1.5 indicates that the business is healthy.

In addition to these analyzes, there are reports prepared according to the wishes of the business and its investors, such as payments reports, collections and aging reports, stock turnover ratio, sales reports, expenditures report, fund flow table, profit distribution table. Reports other than those prepared within the framework of legal obligations also directly affect the decision-making processes of investors or the lending processes of banks.

Over the centuries, the division of accounting into several mixed disciplines has made it possible to compile reports that are identical to those in accounting but cover different subjects. All this - statistics, audit, economic analysis, all in itself covers the information economic system.

Therefore, the formation of reports based on the data of these disciplines is essentially no different from the formation of accounting reports. Examples of such reports are statistical, auditor and other reports.

If we accept the division of accounting into financial and management accounting, then periodic reports should be included in the financial statements, and reports for internal use should be included in management reports (Ergin A.I. 2010: p.90).

Compilation of the report is the final stage of economic activity of the enterprise for a certain period of time (month, quarter, six months, year), as well as the end of accounting. The indicators of the financial statements reflect not only the current state of the enterprise, but also information about its previous reporting periods (Ergin A.I. 2010: p.99).

Therefore, the user of the report has the opportunity to compare current information with information from the previous reporting period. Each user can find certain information in the financial statements that interests him directly.

More specifically, for some, the company is operating at a profit or loss, for others, how much it owes to creditors, and so on. interested. The report is called "reading" the report to find such information by the user and evaluate it in accordance with the existing conditions.

The report can be "read" in different ways. In all cases, the explanation of the figures given here poses certain difficulties. It is very important to be able to use the tools of economic analysis to achieve a fully disclosed picture of the economic activity of the enterprise.

The financial report should be compiled in a quality way to provide users with useful information, then all the necessary information should be provided. It is clear that the unsatisfactory information provided to users is a serious obstacle for business. In modern times, what information is provided in an entity's financial statements is governed by accounting and financial reporting standards (Ergin A. I. 2010: p.97).

1.2. Normative regulation of financial reporting in Azerbaijan and world practice

The formation of accounting theory requires a process that begins with the determination of the purpose of the financial statements and ends with the establishment of a conceptual framework that will guide accounting policies and methods. The conceptual framework guides how generally accepted accounting principles (GAAP) are established.

Therefore, in order to fully grasp the rationale for accounting principles, it is necessary to understand the parts of the conceptual framework well. The

Conceptual Framework, which functions as a constitution that creates the infrastructure and draws the boundaries of accounting standards, is of great importance for both financial statement preparers and users.

It helps preparers and users of financial statements when standards need to be better understood, interpreted and accounting policies developed, but there is no standard in place.

The Conceptual Framework, which brings transparency, accountability and efficiency to financial markets and is the main reference source for establishing new standards or changing existing standards, is a guide for accounting problems that need to be solved.

The Conceptual Framework, which also plays an important role in reducing the number of alternative accounting practices, helps to eliminate some options and thus prevents the repetition of similar discussions and enables the standard-setting process to proceed more effectively.

For example, the definition of "entity" in the Conceptual Framework ensures that the discussions on this definition are concluded. In addition, as it provides a common terminology and reference framework, it both facilitates the communication of the board with the relevant parties and reduces the political pressures on the board.

The Conceptual Framework, which regulates the theoretical infrastructure of accounting standards, sets forth the purpose of financial reporting, defines the elements of financial statements and determines the basic procedures and principles to be followed in financial reporting.

Because the Conceptual Framework is not an accounting standard, it does not establish new accounting standards or replace existing generally accepted accounting principles.

When there is a conflict between the Standard and the Conceptual Framework, the accounting standard precedes the Conceptual Framework.

However, the Current Conceptual Framework serves as a guide when new needs arise.

In order to properly prepare financial statements, it is necessary to have information that takes into account all the requirements of applicable law. At present, a four-level system of accounting and reporting regulation has been established in Azerbaijan.

The economic restructuring of the country, the adaptation of organizations to the new market conditions, as well as the development and application of National Accounting Standards based on International Financial Reporting Standards have played an active role in the formation of this system.

The first level

The first level includes laws directly and indirectly regulating accounting and reporting, decrees of the President of the Republic and decisions of the Cabinet of Ministers.

The Civil Code of the Republic of Azerbaijan, the Tax Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan "On Joint Stock Companies" and other similar laws are normative documents regulating accounting and financial reporting in our country.

The second level

The second level is the National Accounting Standards (NAS), developed under the organizational and methodological guidance of the Ministry of Finance. The National Accounting Standards in force since 2008 specify the main provisions of the Law of the Republic of Azerbaijan "On Accounting" and consider various methodological issues related to the accounting of specific business transactions (Ergin A.I. 2010: p.28).

At present, there are a total of 62 National Accounting Standards in the country, including 37 standards for commercial organizations, 24 standards for budget organizations, and 1 standard for non-governmental organizations.

The new chart of accounts for the financial and economic activities of enterprises is also included in the second level, being an integral part of the National Accounting Standards (Leoli İ.N. 2019: p.114).

The third level

The third level combines various normative documents and is of a recommendatory nature. These include instructions, comments, letters from the Ministry of Finance and other relevant ministries specifying the general methodology of accounting, and other similar normative documents (Leoli İ.N. 2019: p.118).

The fourth level

The fourth level consists of orders, instructions and guidelines prepared by the organization itself (for example, the entity's accounting policy, employee chart of accounts, etc.).

In countries that have been operating on the basis of market traditions for many years (France, Italy, Germany, USA), the system of accounting and reporting regulation differs from each other. The practice in these countries in these countries is significantly different from Azerbaijan.

In France, the basis for the regulation of accounting and reporting is the Commercial Code. This document reflects the main conditions for the organization of accounting and preparation of the report.

There is a very ancient tradition of accounting in Germany. In this country, the legal basis for accounting and reporting is the Trade Code. The document regulates, among other issues of accounting, the rules of preparation of the report. Here, the rules related to the content and preparation of the balance sheet, profit and loss statement are examined in detail.

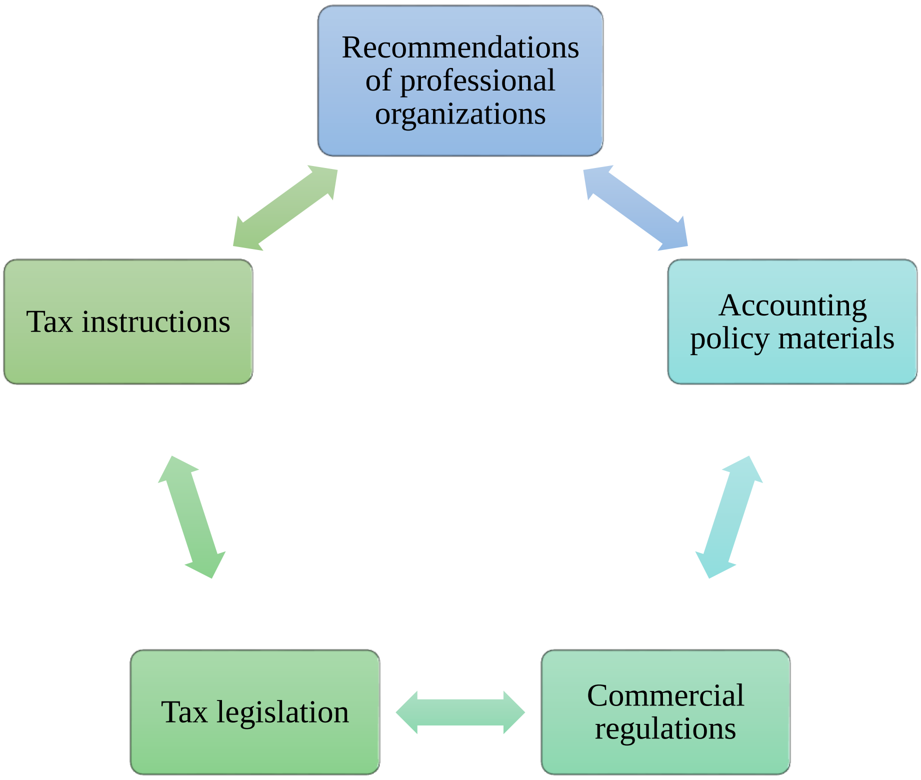
In Germany, there is a single chart of accounts, on the basis of which a chart of accounts has been developed for organizations in the industrial, commercial and financial spheres.

The legal basis of the accounting and reporting system in Italy is the Civil Code, the decrees of the President of the Republic, as well as the relevant orders of the Ministry of Finance, as well as the recommendations of professional organizations.

The GAAP system is the main document regulating accounting and reporting in the United States. GAAP, by its very nature, consists of generally accepted accounting principles that play the role of accounting standards (Leoli İ.N. 2019: p.119).

If we look at various German sources, we can see that the following groups of documents regulating accounting and reporting in this country can be distinguished (Leoli İ.N. 2019: p.119):

Scheme 2: Groups of documents governing accounting and reporting



Source: http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf - financial reports 2021.

There are four levels of documents in the GAAP system:

1. Level A:

a) instructions on financial accounting standards;

b) interpretations;

c) recommendations;

d) research bulletins on accounting.

2. Level B:

a) technical bulletins;

b) field guidelines for accounting and auditing;

c) explanations.

3. S level:

a) general decision of the working group,

b) practical bulletins;

c) application instructions;

d) accepted field practice of accounting.

The US GAAP system is based on Level A documents.

1.3. The need for harmonization and standardization of financial statements

Generally, over the past 20 years, great attention has been paid to solving the problems of unification and standardization of accounting and reporting at the international level (https://www.sciencedirect.com/science/article/abs/pii/S002070631000066X?via%3Dihub).

The development of business, accompanied by the strengthening of the role of international integration in the economic sphere, depends on the calculation of profits in different countries, the tax base, investment conditions, capitalization of funds earned, etc. sets certain requirements for the formation of principles and algorithms in a unified and understandable manner.

The accounting report, which is a database for management decisions, must meet the needs of all users (including external users) to the maximum. However, national accounting and reporting practices show that while there are many similarities between International Financial Reporting Standards and National Accounting Standards, there are also differences. The urgency of the problem of harmonization and standardization of financial statements stems from a number of objective reasons. These are (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/).

Economic integration

Integration can take many forms. For example, some companies organize their business in a separate unit that operates in parallel with other divisions. Other companies prefer to organize their activities in both domestic and foreign markets in the form of autonomy through a separate production line.

The third group of organizations operate on functional characteristics. In this case, the production, supply, sales, financial and accounting functions are integrated into different functional-production units;

Corporate internationalization

Examples of corporate internationalization include the acquisition of controlling stakes in shares or the complete takeover of some firms by other foreign companies;

International financial market

The development of the international financial market means the purchase and sale of securities on stock exchanges around the world;

Formation of the international capital market

Potential investors require financial statements to be transparent. Thus, the investor should be able to track how the capital invested is used;

Strengthening transnational corporations (TNCs)

The first such corporations were established 50-60 years ago. At that time, their sphere of influence was insignificant. However, in modern conditions, transnational corporations are gathering their economic and political power. The problem of comparability of accounting data from different countries is especially relevant in the context of TMC operation (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/).

Thus, according to international rules, the branch of TMK must be based on the laws and accounting standards of the host country. Accordingly, the financial statements of different countries cannot be compared with each other, and as a result, the process of compiling a consolidated report is difficult.

International statistics

The presentation of the national economy in international statistics should be compared. Thus, the problem of incompatibility of accounting and reporting models is not uncommon, and it is also found in Azerbaijan. In modern times, this problem is global.

In the process of preparing and using financial statements, the problem of unification of financial statements arises around the world. More specifically, issues such as convergence of principles and methods used in accounting in different countries around the world, accounting and uniformity of reporting are of great importance.

Currently, there are two approaches to solving this problem: harmonization and standardization. In many cases, these terms are used as synonyms, and sometimes their meaning may be different. For example, standardization is the selection of one of several possible alternative principles and methods for application. Harmonization means reaching an agreement to harmonize different systems (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/).

The idea of harmonization of different accounting systems is realized within the European Union. The essence of this idea is that each country can provide its own models of accounting and reporting systems (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/).

The main thing is that these standards should not contradict the standards in force in other EU countries, in other words, they should be "in harmony" with each other. Work in this direction has been carried out since 1961. A research group on accounting and reporting problems has been established to formulate the concept of accounting development in the European Union (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/).

Its activities are envisaged as part of the program to harmonize the national versions of the Law on Companies. The results of the study were published in the form of normative documents and recommended to be applied to the accounting and reporting system of the EU member states.

Standardization of accounting procedures

The idea of standardization of accounting procedures is realized in the framework of unification of accounting. This idea is being implemented by the International Financial Reporting Standards Committee (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/).

The essence of this idea is that there is no need to create national standards in the development of a unified set of standards applied in any situation in any country.

The IFRS Committee set the goal of harmonization and standardization by 2000. In this process, the Committee considered a qualitatively new solution to the accounting issues, and the result should have been the basis for the unification of national standards. In 2001, the IFRS Committee enacted a new Charter providing for a convergence process.

Convergence

Convergence means working with the Committee and the national regulatory authorities to ensure that reports are more effective and of better quality. In other words, unlike harmonization, convergence should be understood as a joint effort of the IFRS Committee and the national accounting authorities to find and make more accurate and effective decisions. The convergence process is characterized by the implementation of a number of specific measures provided for in the IFRS Committee's Charter and procedures. The most important of them are (https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/):

a) Identify a number of national regulatory bodies as partners of the Committee;

b) Regular meetings of the Committee's Management Board (at least once every three years) with national regulators; coordination of work plans;

c) Appointment of Board members responsible for liaising with specific national regulators;

d) Coordination of standards adoption processes;

e) Establishment of joint working groups.

Research since 2002 has led to significant progress in the formation of a single world language of financial reporting. Unified World Language Shares are more important for companies listed on stock exchanges. The next steps in the convergence process are to combine the efforts of the national accounting systems of different countries and work more closely with them. The main tasks of the process include:

By governments:

a) Adoption of a formal convergence plan with specific deadlines for the transfer of companies to IFRS;

b) Eliminate barriers to convergence (for example, the relationship between financial statements and tax law).

Regulatory bodies (Central Bank, Securities Committee, etc.):

a) Advancing the convergence of national standards in relation to IFRS;

b) Establishment of an effective and realistic mechanism to ensure the implementation of IFRS.

For national standards development bodies (Ministry of Finance, Central Bank):

a) Adoption of convergence implementation strategy and deadlines;

b) Development of a program aimed at eliminating the main features that distinguish National Standards from IFRS;

c) Take an active approach to the process of preparing IFRS.

Accountants (auditors):

a) Organization of IFRS training process;

b) Assist government and other authorities in developing standards for the development and entry into force of convergence plans;

c) Organization of a real system of dissemination of information about the development of the IFRS system in a unique way.

Compilers of financial statements:

a) actively participate in the process of developing standards;

b) to develop and apply IFRSs by identifying existing differences.

Analysts and investors:

a) Strive to promote the convergence of National Financial Reporting Standards with IFRSs;

b) To actively participate in the process of developing IFRS (especially in determining the requirements of users);

c) Training of staff who do not work with IFRS reports.

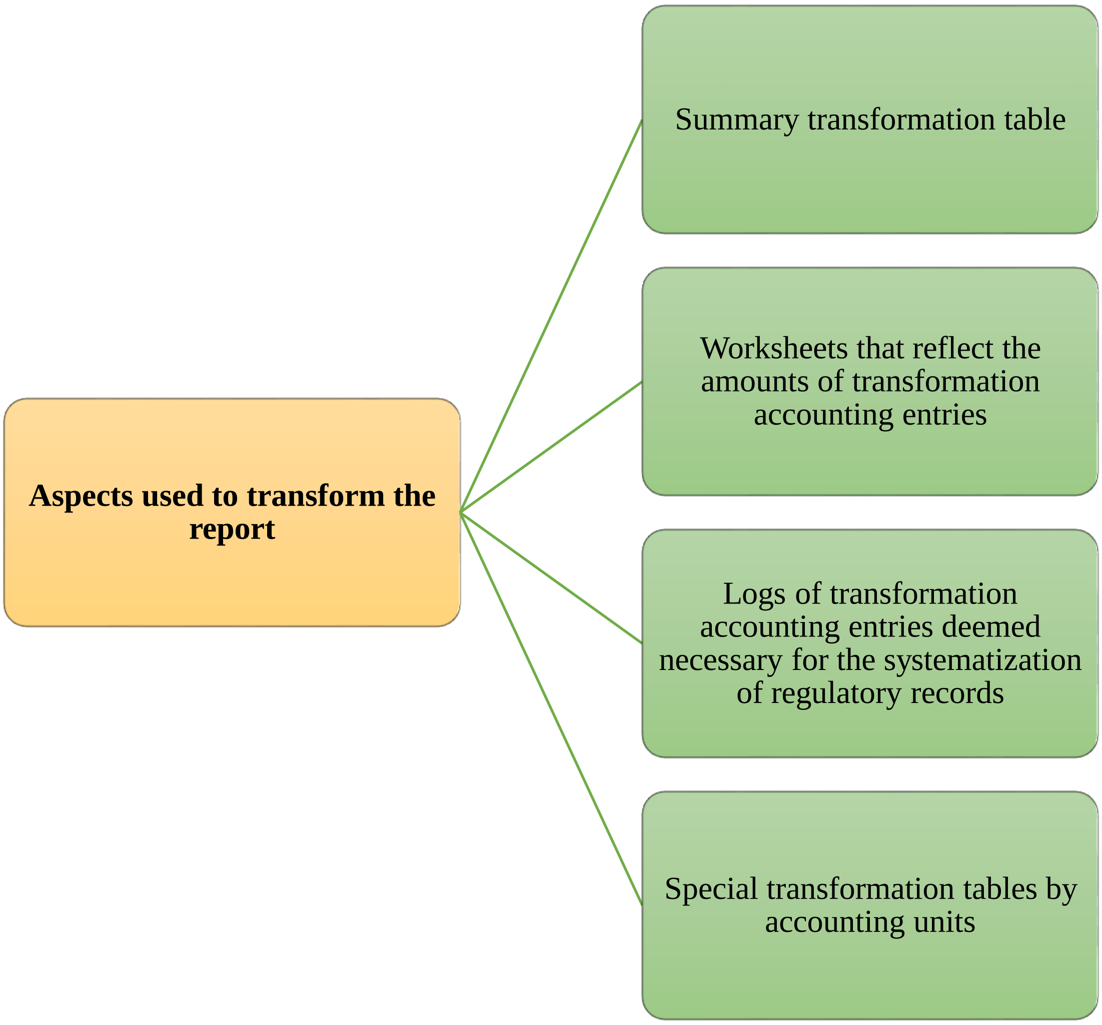
The ultimate goal of convergence in each country is to adopt IFRSs, taking into account any national characteristics. This process is nearing completion in Azerbaijan.

CHAPTER II. METHODOLOGY FOR PREPARING THE FINANCIAL STATEMENTS OF THE ORGANIZATION IN ACCORDANCE WITH THE REQUIREMENTS OF IFRS

2.1. Transformation of financial statements in accordance with IFRS

The organization of the process of transformation of financial statements is determined by the structural features of accounting in enterprises. For this purpose, it is required to bring the journal-orders, work schedules (sheets), General Ledger and summary accounting registers used in the processes of accounting of economic and financial activities of the enterprise into a single format. The following is used to transform the report:

Scheme 3: Aspects used to transform the report



Source: http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf - financial reports 2021.

When the financial statements are transformed, the indicators in the balance sheet, as well as in the income statement, are subject to recalculation. Other forms of reporting are based on them. The explanatory notes indicate the characteristics of the accounting policies adopted by the entity and the methods of transformation (Səbzəliyev S.M. 2018: s.45).

It is necessary to take each of the following steps, waiting for a certain sequence for the transformation of reports (Səbzəliyev S.M. 2018: s.45):

a) To determine the content of articles of international financial reporting standards. A package of financial reporting forms must be submitted before the transformation begins. At the same time, an accounting policy should be defined for the preparation of IFRS reports;

b) Disclosure of items of national accounting reports;

c) Disclosure of account balances and turnovers;

d) To make adjustments to the balances (turnovers) on the accounts where the national reports are organized in order to bring the accounting base in line with international standards;

e) Group balances on items of international standards and fill in report forms based on them;

f) Systematize information about transformation. All of the above operations are performed using summary transformation tables.

The structure of summary transformation tables can be combined in the form of the following blocks:

a) Turnover-balance sheet drawn up on accounting accounts;

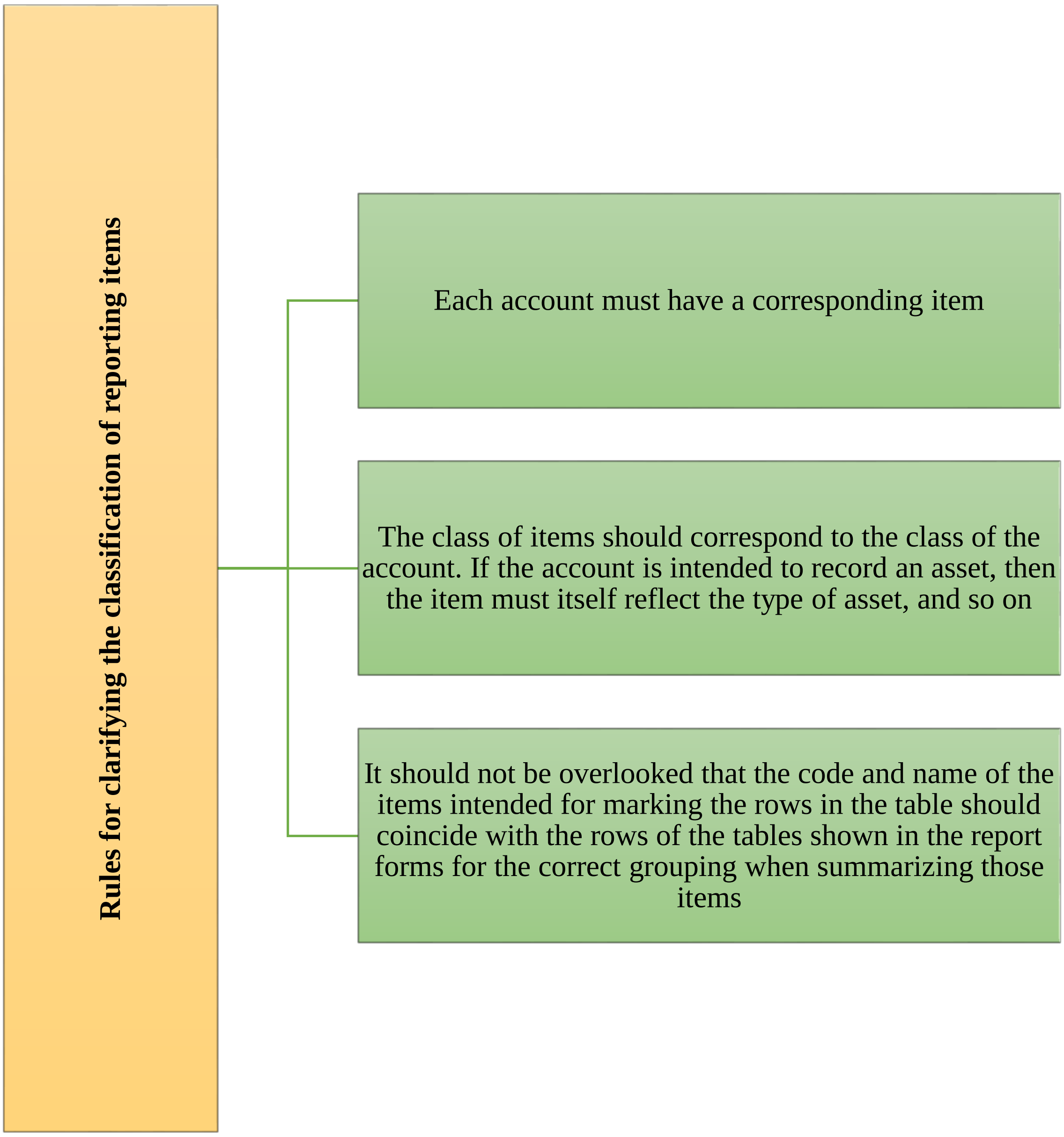
b) To regulate balances (turnovers) applied to accounts on the basis of accounting bases of international standards;

c) Balances on international reporting items. This block consists of the final results of the transformation and connects the two columns; the sum of the amounts on the items of the international report and the code and name of the items of the international report.

The summary transformation table includes both the balance sheet and the income statement. As a means of controlling the integrity of the data in the summary transformation tables, it is essential to check the general results in the following columns:

“Total at the beginning”, “Total at the end” and “Amount”. The simplicity of control proves the superiority of the format in which the data is presented. Clarification of the classification of reporting items should be done taking into account the following rules:

Scheme 4: Rules for clarifying the classification of reporting items



Source: http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf - financial reports 2021.

The revision of the classification is due to the need to further clarify the position of the turnover balance.

Summary data from the turnover-balance sheet of transformation tables is usually insufficient to calculate the amount of regulatory entries. Here it is necessary to pay attention to the information on the basis of individual objects. Worksheets are designed to collect and process such information. The following functions are implemented with the help of these tables (Henry N.I. 2017: p.47):

a) grouping of records;

b) parallel interpretation of accounting data;

c) calculation of the amounts of regulatory records;

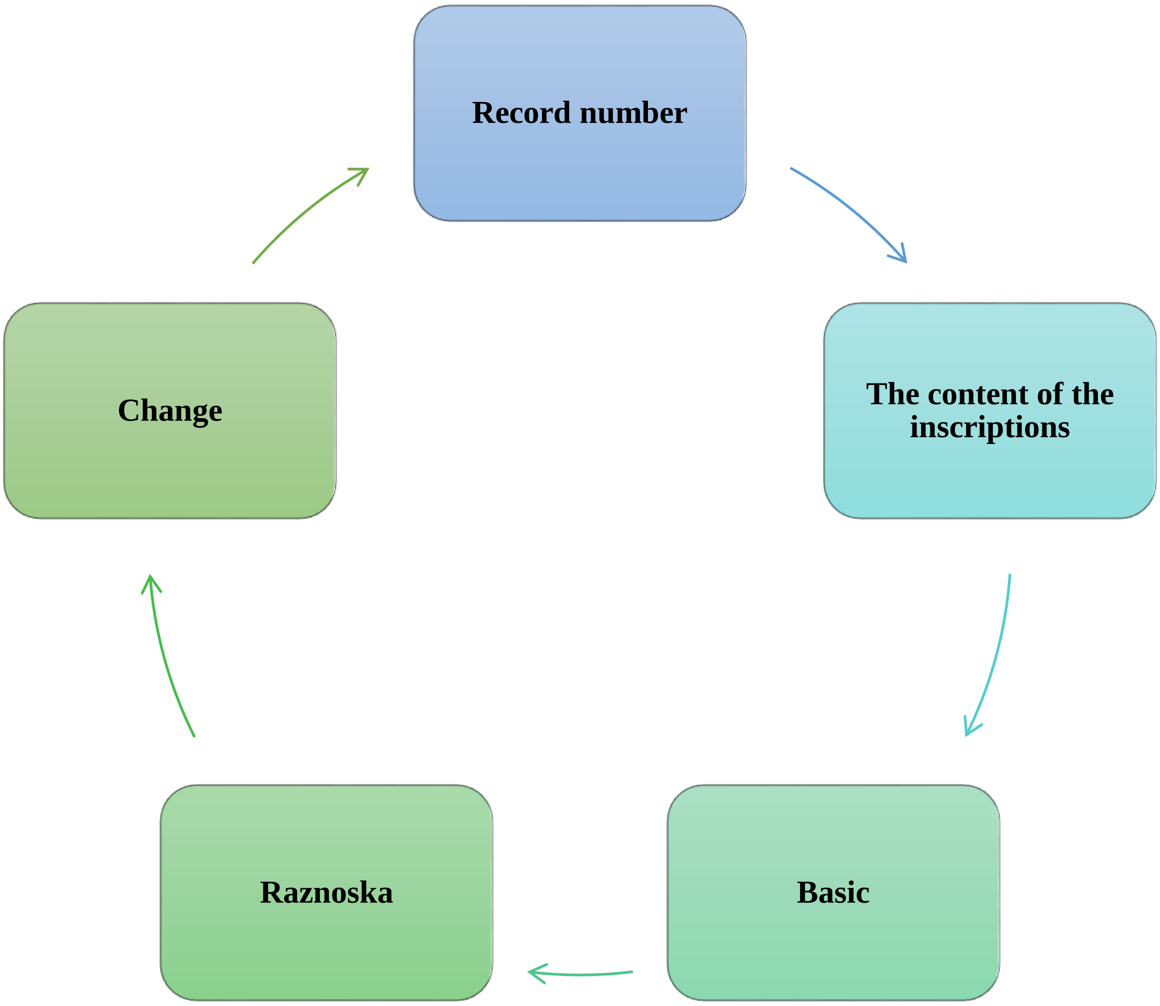
d) valuation of unrecognized assets and liabilities in the national accounting system.

The large number of worksheets is explained by the characteristics of the accounting objects, the differences in the composition of the initial data and the differences in the methods of regulatory calculations for different areas of accounting. The number of worksheets depends on the specifics of the organization, the state of accounting and the organization of the transformation process (Henry N.I. 2017: p.48).

Transformation records journals and special transformation tables play an important role in linking worksheets, organizing the transformation process, distributing work areas among executors, as well as consolidating results and ensuring the consistency of transformation methods.

The journal of transformation records is intended for the formation of regulatory records based on the results of worksheets. The journal should indicate which debit and credit accounts reflect regulatory amounts in the transformation tables. The Transformation Records journal has the following structure of entries:

Scheme 5: The following structure of entries in the journal Transformation Records



Source: https://www.elibrary.az/docs/jurnal/jrn2017_231.pdf - financial reports 2021.

Record number - here is the code and serial number of the accounting department. For example, TTA 111 - "Land, buildings and equipment";

The content of the inscriptions: this requisite reflects the essence of the inscriptions;

Basic - here we refer to the articles of international standards. Based on this, an appropriate adjustment is made and a summary is described;

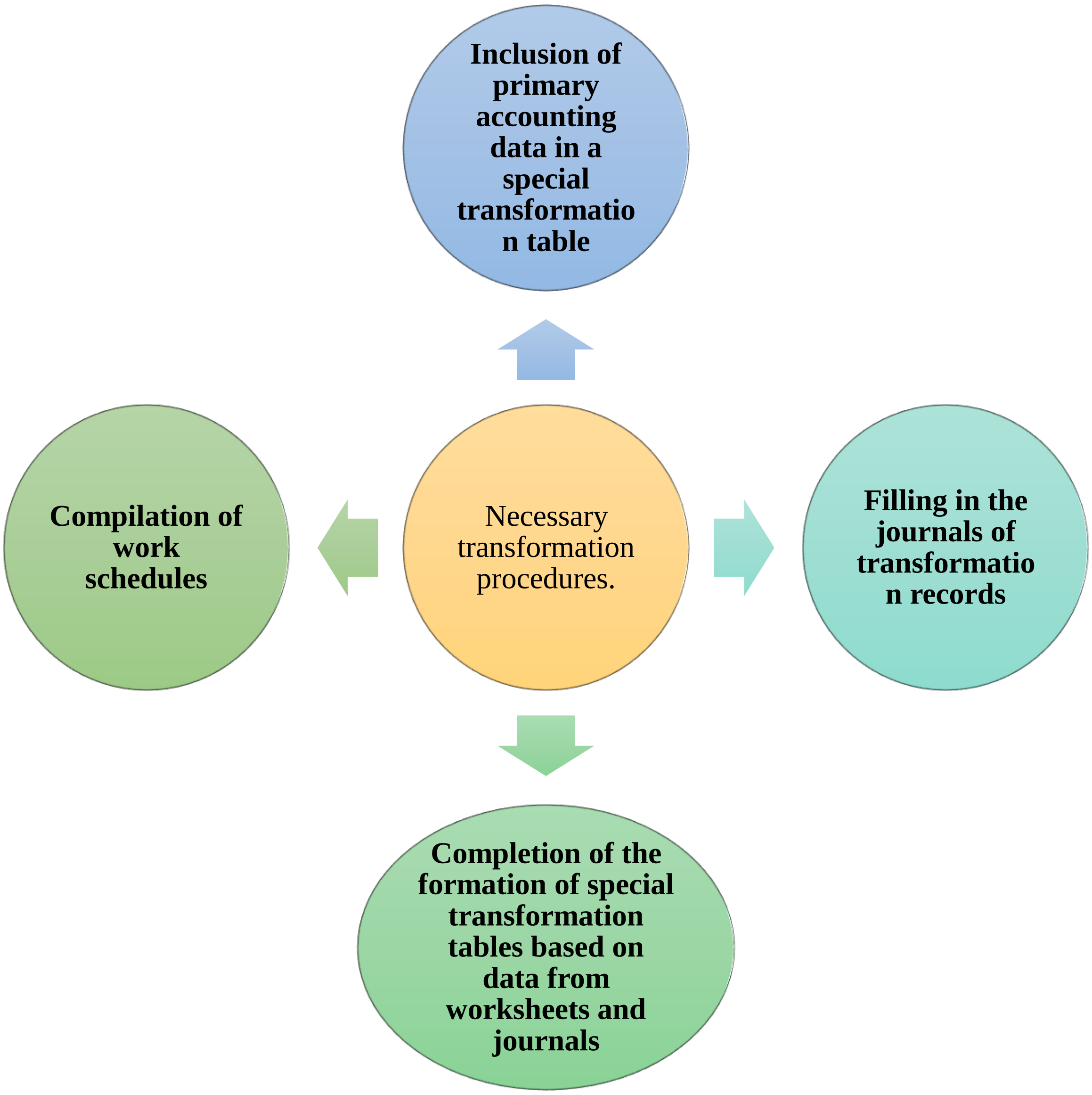
Raznoska - the raznoska shows the debit and credit of the accounts where the regulatory entries will be made; - amount: when spreadsheets are used, the amount of entries is automatically transferred from the results of the relevant worksheets with the help of inter-table references;

Change - this requisite is used to disclose the amount of entries on the main components.

Custom transformation tables repeat the forms of summary transformation tables. They in themselves embody some of the summary tables assigned to certain worksheets and transformation journals.

The following necessary transformation procedures are performed for each section:

Scheme 6: Necessary transformation procedures



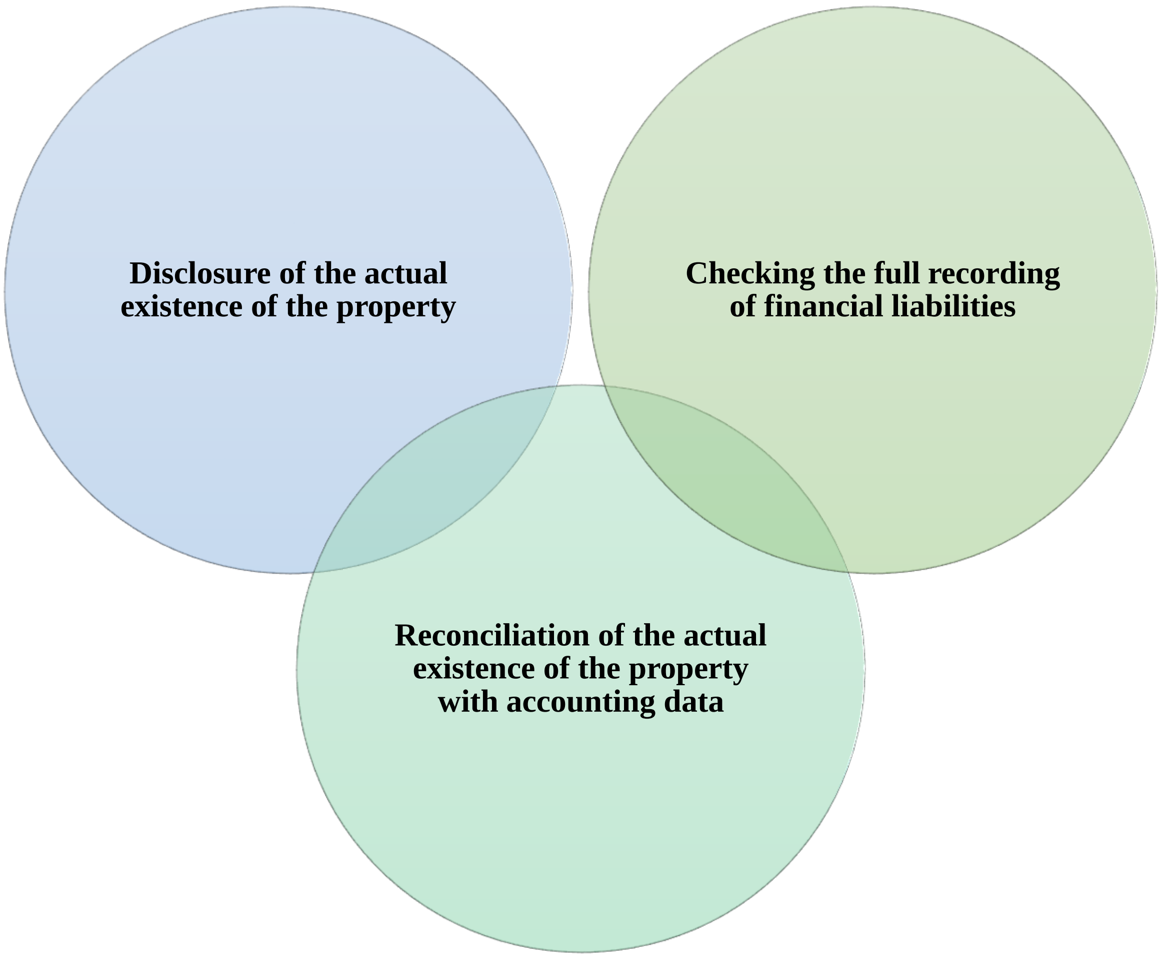
Source: https://www.elibrary.az/docs/jurnal/jrn2017_231.pdf - financial reports 2021.

Special transformation tables allow you to divide the work on the transformation of the report among several executors. More specifically, each executor is assigned one or more sections of the record.

2.2. Inventory as one of the methods to ensure the reliability of financial statements

Inventory is the verification of the actual existence of an entity's assets and liabilities in accordance with its accounting records. The main purpose of the inventory is:

Scheme 7: The main objectives of the inventory



Source: https://www.elibrary.az/docs/jurnal/jrn2017_231.pdf - financial reports 2021.

In this case, the property of the enterprise means fixed assets, intangible assets, financial investments, production inventories, finished products, goods, other inventories, cash and cash equivalents, other financial assets, accounts payable as financial liabilities, bank loans, debts and reserves understood (https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/conceptual-framework-for-financial-reporting.pdf).

In addition, other types of property registered in the entity's accounting records but not belonging to it (accepted for safekeeping, leased, acquired for processing), as well as property not recorded for any reason, should also be subject to inventory.

All types of assets and financial liabilities of the organization should be inventoried, regardless of location. Inventory of property is carried out by its location and materially responsible persons. The procedure for conducting the inventory (number of inventory during the reporting period, date of its holding, list of property and liabilities, etc.) is determined by the head of the organization.

Mandatory inventory is also possible on the basis of the relevant legislation of the Republic of Azerbaijan. In all cases, an inventory is made before the annual report is prepared. The following commission shall be established to conduct an inventory in the organization:

Chairman of the commission - the head of the organization or his deputy; Members of the commission - chief accountant, heads of structural units, public representative. In addition, a working commission is established to conduct a direct inventory of the property:

a) Chairman of the commission - a representative of the head of the organization that appoints the inventory;

b) Commission members - specialists (economists, accounting staff, managers, commodity experts, etc.).

The inventory commission may include a representative of the organization's internal audit service, as well as a specialist from an independent audit organization. The individual composition of the permanent and staff inventory commission is approved by the order or order of the head of the organization.

The responsibilities of the permanent inventory commission include:

a) instructing working commissions;

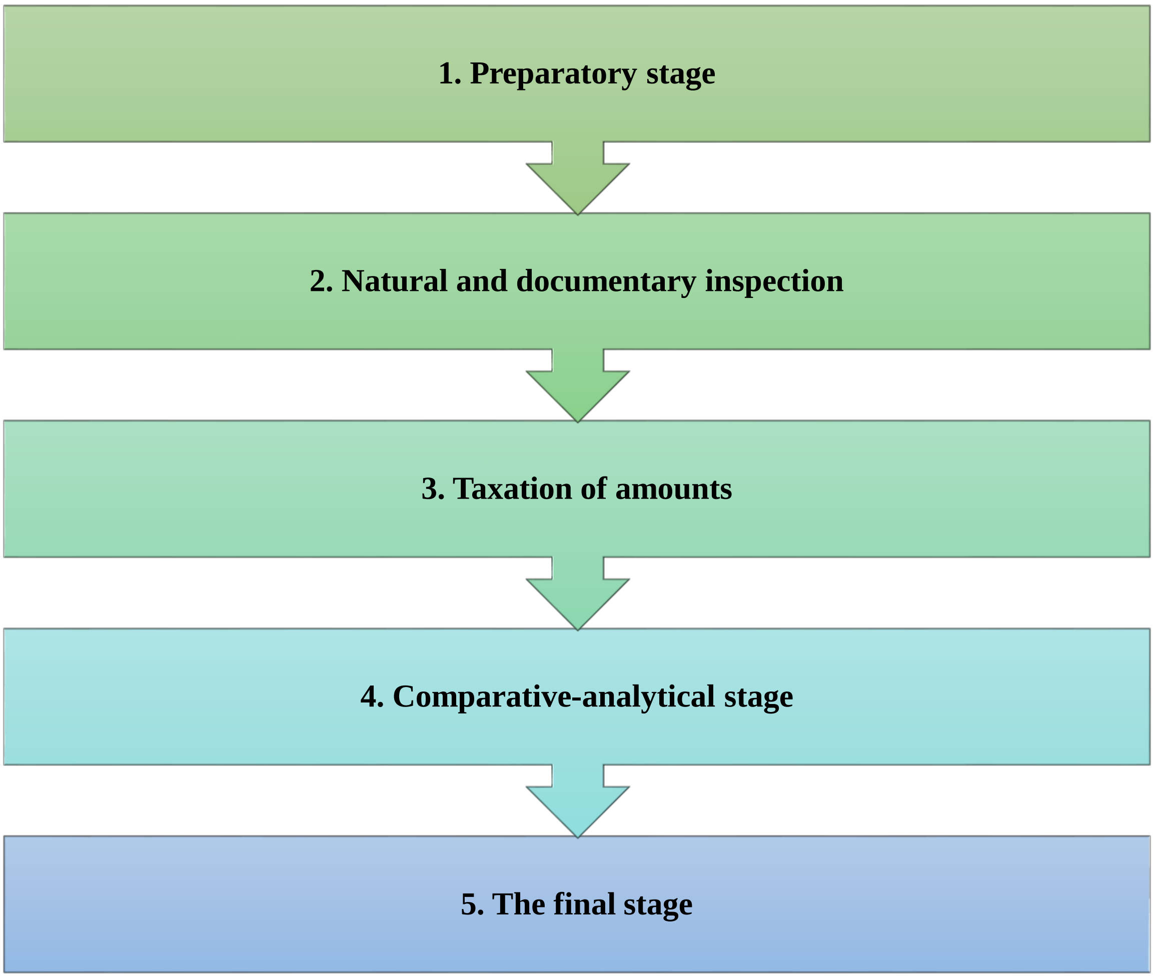
b) conducting inspections in a controlled manner;

c) Investigate the explanations of the persons responsible for the deficiencies.

Working commissions should conduct an inventory of inventories and cash on site. If the organization has an inspection commission and the volume of inventory is not large, then this work can be entrusted to that commission.

The absence of one of the members of the commission during the inventory period gives grounds to invalidate its results. Verification of the actual existence of the property must be carried out with the direct participation of the materially responsible person. Inventory is carried out in several stages:

Scheme 8: Inventory stages



Source: http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf - financial reports 2021.

1. Preparatory stage

At this stage, the material-responsible person compiles intermediate registers (final reports) of income and expenditure documents on the date of the inventory and submits them to the inventory commission. These documents are the basis for determining the relevant balances on the accounting accounts as of the date of the inventory.

The chairman of the inventory commission shall issue a visa to all income and expenditure documents attached to the register (final report) and indicate the “pre-inventory date”.

The commitment of the person in charge states that all income and expenditure documents on the property have been submitted to the accounting or inventory commission before the inventory is started. All incoming property and deleted property have been documented.

2. Natural and documentary inspection

In this case, the actual existence of property and liabilities is checked. The main form of the first document for recording the results of natural inventory is the inventory list and inventory act. Inventory lists or acts are compiled in duplicate. If necessary, it is possible to increase the number of copies (https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/conceptual-framework-for-financial-reporting.pdf).

Documents with names should be written clearly, either in ink or with a ballpoint pen, and no violations or deletions should be allowed. On each page of the list (act) the number of serial numbers of material resources and the total sum of natural indicators are indicated in writing.

Error correction is performed on all copies of the list. In this case, the wrong entry is crossed out and the correct number is marked on it. The amendment must be signed by all members of the inventory commission and the person in charge. Lists should not be left blank, and such lines should be crossed out on the last page (https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/conceptual-framework-for-financial-reporting.pdf).

3. Taxation of amounts

At this stage, monetary valuation of property and liabilities is carried out on the basis of primary documents and accounting information in the lists (acts).

4. Comparative-analytical stage

At this stage, the actual existence of assets and liabilities is reconciled with the accounting data. The inventory commission investigates the reasons for the deviations and suggests ways to reflect them in the inventory results.

An explanation should be obtained from the materially responsible persons on the fact of excess or deficiency of inventories. On the last page of the list, the verification of prices, taxation and calculation of results must be confirmed by the signature of the person conducting the inspection.

All the proposals of the commission on the results of the comparative-analytical stage are summarized in the Inv-26 form “Schedule of results revealed in the inventory process”.

5. The final stage

Inv-26 form “Schedule of inventory results” is signed by the chief accountant and the head of the organization and the relevant order is issued. Generally, on the basis of the order, accounting correspondence on the results of the inventory is compiled and they are processed in the relevant accounting registers (Leoli İ.N. 2019: p.111-112).

Inventory materials are given to accounting. A reconciliation table is drawn up to reflect the deviations from the inventory of the property during the inventory. The results of the inventory are reflected in the reconciliation table. Inventory differences are regulated as follows:

a) Already received fixed assets, materials, cash and other property and are included in the financial results of the enterprise. Then the reasons for coming are investigated;

b) Deficiency and deterioration of resources within the norm approved by the legislation is assessed as a natural loss and is written off by the order of the head of the enterprise to either production costs or current expenses. The loss rate can only be applied when an actual deficiency is found.

c) Lack of material resources, cash and other property, as well as excessive deterioration of natural losses are recorded at the expense of the perpetrators.

If it is not possible to identify the culprits, or if the court refuses to deduct the amount from the guilty person, then the losses without deficiencies and damage are included in the production or operating costs of the enterprise.

Mutual acceptance of surpluses and deficits as a result of mixing of species is allowed in exceptional cases. The results of the inventory should be reflected in the accounting and reporting in the month in which it is completed (Leoli İ.N. 2019: p.118).

Upon completion of the inventory, a control inspection may be performed to ensure that it is carried out correctly. It is important that the members of the inventory commission and materially responsible persons participate in such inspections. The results of the control inspection shall be formalized in an act and recorded in the control record book.

2.3. Accounting policy, changes and errors in accounting prices

Accounting policy

National Accounting Standard No. 11 for Commercial Organizations “On Accounting Policy, Changes and Errors in Accounting Prices” was approved by the order of the Ministry of Finance of the Republic of Azerbaijan dated July 23, 2007.

This Standard is based on International Accounting Standard 8, Accounting Policies, Changes and Errors in Accounting Prices. In order for the information provided in a company's financial statements to be useful to its users, the reports must be compared with each other.

Both shareholders and potential investors, along with other participants in the financial statements, not only study the company's financial position, cash flows and financial results, but also assess the general trends in changes in financial performance.

In order to properly assess these trends, a company must consistently apply the same accounting principles and rules. However, all deviations must be sufficiently clear in the annexes to the financial statements.

Any financial statement is the result of the selection of certain accounting principles and techniques arising from a whole range of methods and principles allowed. When business leaders choose and adopt accounting policies, they assume that the methods they choose best reflect the specifics of the business and the economic realities.

At the same time, the goals of the enterprise, as well as the external economic situation change over time. In addition, both the accounting standard itself and its methodology are being changed and improved. Accounting and reporting such changes have always been the subject of controversy among experts.

Virtually all financial analyzes refer to comparisons and relevance of reports from different periods. Any change in accounting policy leads to inconsistencies in the reports and distortion of the results of financial analysis.

Therefore, first of all, in order to decide on changes in accounting principles, it is advisable to measure and evaluate how these changes will affect the comparison of reports.

IAS 11 is entirely devoted to changes in accounting, in particular its principles and valuations, as well as the rules for correcting errors in the financial statements. The main purpose of the standard is to disclose information about changes in accounting policies and accounting prices and the correction of errors, and to define the criteria used to select and modify accounting policies, as well as accounting policies. The basic concepts used in MMUS 11 are as follows (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf%20%E2%80%93%20financial%20reports%202021):

Accounting policies are specific principles, conditions and rules applied by an entity in the preparation and presentation of financial statements.

Changes in carrying amounts are the adjustment of the carrying amount of an asset or liability or the periodic consumption of an asset as a result of an assessment of the current status of the asset or liability and the expected future economic benefits and liabilities associated with it.

Changes in accounting prices are considered to be due to new information and changes in the situation. Significant information gaps or misrepresentations of items in the financial statements are considered significant when they can affect users' decisions based on financial statements, individually or collectively, depending on the extent and nature of the information gap or misrepresentation (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf%20%E2%80%93%20financial%20reports%202021).

The volume or nature of the relevant substance, or both, may be a determining factor. In addition, the degree of materiality is based on a judgment made under existing conditions based on the assumption that users have relevant knowledge of business activities and accounting, as well as a willingness to read the information obtained.

Past errors are errors and misstatements made in the financial statements of an entity that cover one or more previous periods as a result of the failure to use or misuse reliable information that meets the following conditions:

a) the information is available at the time the financial statements for those periods are applied for publication;

b) when it is considered logically possible to obtain and record the information in the preparation and presentation of those financial statements.

Such errors include errors in the application of mathematical and accounting policies, misrepresentation or misrepresentation of facts, and fraud.

Retrospective application is the application of a new accounting policy to an enterprise's operations, other events and conditions, as if it had always been applied.

Retrospective re-submission is the process of correcting, as never before, errors relating to prior periods in the recognition, measurement and disclosure of elements of financial statements.

Impossibility - When an enterprise, despite all possible efforts, fails to comply with the requirements of the standards, it is considered impossible to apply such a requirement.

It is not possible to retrospectively apply a change in accounting policy for a particular past reporting period or to re-apply information retrospectively in order to correct an error in the following cases:

a) the outcome of retrospective application or retrospective re-submission cannot be determined;

b) when retrospective application or retrospective re-submission requires assumptions about the intentions of the entity's management in that period;

c) when retrospective application or retrospective re-submission requires a significant estimate of the amounts or when the following information cannot be objectively separated from other information.

Retrospective application - The prospective application of recognizing the effect of a change in accounting policy and a change in accounting prices consists of the following:

a) application of a new accounting policy to transactions, other events and conditions that occurred after the date of the change in the accounting policy:

(b) recognizing changes in current prices in current and future reporting periods affected by the changes.

The principles of accounting used in the form of more important purposes of financial reporting ensure the comparability of the financial statements of relatively similar companies.

There is no doubt that such a rule simplifies informed decision-making for investors, creditors, potential employees and business partners. It is a fact that it is not yet possible to make the reports comparable.

The main reason for this is that there are many alternative methods of accounting for the same transactions. However, recent trends in standard modification have been directly aimed at improving comparability (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf%20%E2%80%93%20financial%20reports%202021).

The International Standards Committee has been working since the 1990s to reduce the number of alternative methods allowed. These trends are likely to continue in the future.

Comparability - characterizes the quality of information. More specifically, comparability allows its users to identify similarities and differences between two sets of economic events.

As a result of the application of the principle of comparability in terms of information quality, the users of the report are informed about the accounting policy of the enterprise, changes in it and the effect of these changes.

International and national financial reporting standards naturally improve the comparability of the results of different entities. IFRS is becoming an accepted and understood accounting “language”. At the same time, attempts to compare reports should in no case be arbitrary or impede the improvement of the quality of the information provided.

Unlike comparability, consistency characterizes the consistency of the accounting policies applied. The more consistent an entity's accounting policies, the more useful its reporting may be. In accordance with the requirements of IFRS 1 “On the Presentation of Financial Statements”, the presentation and classification of the objects of financial statements should remain unchanged from period to period (except when the nature of the business has changed significantly (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf%20%E2%80%93%20financial%20reports%202021).

Thus, if there are opportunities to use new accounting principles that make financial statements more reliable, an entity's accounting policies may change based on new approaches.

Changes in accounting policies

An entity may change its accounting policies only in the following cases:

a) When the National Accounting Standard requires it;

b) changes in accounting policies result in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial results and cash flows.

The fact that an entity applies a new accounting policy to transactions that are essentially different from those previously performed does not indicate a change in the entity's accounting policies.

In accordance with National Accounting Standards 7 for Land, Buildings and Equipment and 12 for Intangible Assets, the initial application of an asset revaluation policy is subject to the provisions of Standard 11, with changes in accounting policies. does not comply and is treated as a revaluation in accordance with National Accounting Standards 7 and 12. The following are not considered changes in accounting policies:

a) Developing accounting policies for transactions, events and conditions that are essentially different from their predecessors;

b) Developing accounting policies for transactions, events and conditions that the entity has not previously performed or is of no particular importance;

c) Implement for the first time an asset revaluation policy in accordance with Standards 7 for Property, Plant and Equipment and 12 for Intangible Assets.

Example 1.

For the first time, an entity has acquired an intangible asset. An accounting policy has been developed for the accounting of an intangible asset. This is not a change in accounting policy. Thus, an unprecedented event took place at the enterprise.

Changes in accounting policies can be both mandatory and voluntary. Mandatory changes in accounting policies may occur as a result of existing standards or the entry into force of new standards. The application of the accounting policy depends on the availability of guidelines for the transition to the standard (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf%20%E2%80%93%20financial%20reports%202021).

If there are transition guidelines in the standard or in the application of the standard, the transition guidelines should be followed when developing accounting policies. If there are no transition guidelines in the standard or in the application of the standard, the amendment is applied retrospectively.

Example 2.

An entity acquires another entity and its balance sheet includes an item of property, plant and equipment acquired through the exchange of assets. The valuation of the property, plant and equipment was not carried out in accordance with the MMUS.

To account for such assets, an entity shall apply the provisions of Standard 12 for Land, Buildings and Equipment. In relation to the initial valuation of property, plant and equipment acquired as a result of the exchange of assets, the valuation under Standard 12 should be applied only to future transactions on a forward-looking basis.

Voluntary changes in accounting policies are not directly related to the issuance of new interpretations of existing standards or the entry into force of new standards. Changes in accounting policies are made by the entity on a voluntary basis (https://www.muhasib.az/idareetme.php?n=10).

A voluntary change in accounting policy should be based so that the change can provide more relevant and reliable information in the financial statements. If an entity changes its accounting policies on a voluntary basis, it must apply retrospective changes.

Some changes to the standards will take effect not at the time they are published, but at a later date. Immediate implementation of such changes cannot be considered a voluntary change in accounting policy. In this case, there is no need to adjust the comparative indicators.

Example 3.

In May 2010, the Board of the IFRS Committee published changes to International Financial Reporting Standards. Amendment 6 refers to the Standard and one interpretation: IFRS 1, IFRS 3, IFRS 7, IFRS 7, IFRS 1, IFRS 27, IFRS 34 and IFRS 13. Most of the adjustments are intended for annual reporting periods beginning on or after 1 January 2011.

For example, in accordance with the Standard on the Presentation of Financial Statements, an entity may disclose other comprehensive income in the statement of changes in equity or in the annexes to the statement by dividing it into items. The entity has decided to take that change into account in its 2010 report. Immediate application of such a change is not a voluntary change in accounting policy (https://www.muhasib.az/idareetme.php?n=10).

There is no need to adjust the comparative indicators accordingly. The retrospective application of accounting policies requires adjustments to be made for each component of equity and for each balance sheet of the reporting period and prior periods.

Example 4.

The children's organization sells the car. When goods are sold, the FIFO method of valuation is applied. Other child organizations and parent organizations preferred the weighted average method of assessment.

The organization should also use the weighted average method to prepare the consolidated report. To do this, the cost of goods must be recalculated using the average weighted cost method for all periods. The profit margin must also be changed.

When a new accounting policy is applied, adjustments must be made during all previous periods. However, such an adjustment is not always possible. If it is not possible to determine the effect of a change on a specific cycle and its cumulative effect, then it is very difficult to implement a retrospective change. In this case, the adjustment should cover all possible previous periods (https://www.muhasib.az/idareetme.php?n=10).

Example 5.

The entity has been in operation for five years and has decided to change its accounting policies when selling goods, and it is advisable to use the weighted average cost. It is planned to recalculate the cost of goods using the average weighted cost method during all periods of the organization's operation.

However, the first documents in the organization were lost, only the documents of the last three years were kept in the archive. Therefore, the organization was forced to correct only the data for those three years. At the same time, profitability indicators should be adjusted.

Changes in accounting prices

When preparing financial statements, the accountant always has to deal with the following different ratios and indicators:

a) assessment of the useful life of the assets;

b) cancellation cost;

c) accumulated receivables;

d) guaranteed costs;

e) pension expenses, etc.

Future events and conditions of this kind cannot be determined unambiguously and precisely. Accordingly, changes in accounting prices are one of the inevitable events. In accordance with MMUS 11, current and future approaches are allowed to reflect the changes.

The result of changes in accounting prices should be included in the calculation of net profit or loss in the following periods:

a) the time of the change (if the change affects that period);

b) when the change occurs and future periods (if the change affects each of them).

Examples of changes in book prices are changes in the useful lives of doubtful debts, depreciable assets, and changes in the prices of obsolete inventories. It is quite difficult and difficult to distinguish changes in accounting policies from changes in accounting prices.

In such cases, the change is interpreted as a change in accounting prices and the relevant information is disclosed. For example, a change in the method of depreciation of property, plant and equipment should be understood as a rethinking of the economic benefit scheme. This is essentially an assessment (https://www.muhasib.az/idareetme.php?n=10).

Theoretically, a change in accounting policy would mean the transition from the absence of depreciation of assets to the depreciation of their useful lives (this rule is prohibited by IFRS).

If an entity decides to transfer its value to the financial results (depreciation methods) by purchasing new long-term depreciable assets, and similar groups of previously acquired assets continue to be depreciated using the old method, this is a change in accounting policy. However, it is not necessary to take a retrospective approach in such situations.

The impact of this decision on the financial results is described in detail in the appendices to the report. If the decision to change the depreciation method applies to all long-term assets that are depreciated, such a change should be recorded as a change in accounting policy.

At the same time, such changes in Standard 7 for Land, Buildings and Equipment and Standard 12 for Intangible Assets are classified as changes in accounting prices rather than in accounting policies.

The results of changes in carrying amounts should be included in those classification items in the income statement. The following information is required to be disclosed in the appendices to the report:

a) the nature and quantity of changes in current prices that have a significant effect in the current period or are expected to have a significant effect in subsequent periods;

b) Practical impossibility of quantitative assessment.

Despite an effective system of internal control, high professionalism and responsibility of accounting staff and managers, the number of errors can be significantly reduced, but it is very difficult to eliminate them completely. As a result, there is a need to standardize accounting methods for correcting material errors, especially in previous periods.

The main criterion that necessitates a special approach to accounting for error correction is its materiality. For such materiality, each error, or the sum of errors as a whole, must be evaluated separately. If such errors are materially inconsistent, in other words, they do not materially affect the financial statements, they should be corrected in the current year's income statement.

When errors in previous periods are corrected, the amounts paid in previous periods in which the errors were discovered must be recalculated. If the errors relate to prior periods, the initial balances of assets, liabilities and equity for those periods are recalculated.

If recalculation is not possible, the initial balances of assets, liabilities and equity should be recalculated for earlier periods. In this case, the possibility of retrospective recalculation should also be considered. Errors affecting current and future periods are required to be corrected at the time they are identified. There is no need to disclose information about these events in the report (Səbzəliyev S.M. 2018: p.123).

The main difference between errors and book prices is related to the availability and access to information. Thus, the assessment requires clarification and correction. It is based on the uncertainty and lack of information.

Relatively late information either confirms itself or rejects the given value. That is why all contradictions must be corrected. Errors, on the other hand, result in the misuse of information available at the date of the report.

The elimination of these errors in the future is by no means related to the acquisition of new information. The following information is intended to be disclosed in the appendices to the report:

a) nature of errors for previous periods;

b) quantity of adjustments for each given period;

c) Quantity of adjustments made in earlier periods.

If a complete recalculation is not possible, the reasons should be disclosed and explained. This is a special situation if the entity applies a new or amended standard. Although such cases occur in accounting policies, they actually fall into the category of changing the basis of accounting.

When a standard is approved, changes in accounting policies should be made as follows:

a) a retrospective or perspective approach may be required in accordance with the rules of the transition guidelines;

b) using a retrospective approach in the absence of transition guidelines.

The adjustments should reflect the effect of the application of international or national standards from the date of the entity's existence. In this case, there is no need to take into account the specific date of entry into force of any standard (Səbzəliyev S.M. 2018: p.156).

Presentation of the date can significantly distort the results, as well as lead to an extreme complication of the workload. Perspective application of changes in accounting prices means the recognition of adjustments that affect accounting prices during the reporting and future reporting periods.

Prospective recognition of changes in accounting prices can only affect the reporting period. In this case, only the profit or loss for the reporting period is subject to adjustment.

If the change affects not only the reporting indicators, but also the indicators of subsequent periods, then the adjustments apply to the indicators of all touched periods.

Example 1.

Receivables in the amount of 300,000 manat were recorded on the balance sheet of the enterprise. There is reliable information that the debtor is insolvent and can file for bankruptcy.

Such a debt should be recognized as a loss for the period. Adjustments do not affect subsequent reporting periods and previous reporting periods. Recognition of expenses on doubtful debts is reflected as follows:

D-t "Expenses on doubtful debts" (300 thousand manat)

K-t «Accounts receivable» (300 thousand manats).

Example 2.

The company operates production equipment. Its service life is 10 years, and the depreciation cost is 800,000 manat. The equal calculation method was used for depreciation. Depreciation is calculated for the first two years:

For the 1st year - 80 thousand manats;

For the 2nd year - 80 thousand manats.

As a result of the appearance of more modern equipment on the market, it was decided to make changes in the useful life of the equipment. More specifically, the useful life of the equipment is set at four years from the date of commissioning.

In this case, the depreciable amount is 640 thousand manat (800 thousand - 80 thousand - 80 thousand). In subsequent periods, the amount of depreciation will be as follows:

3rd year - 320 thousand manats;

4th year -320 thousand manats.

Changes in the estimated useful life of property, plant and equipment affect the profit and loss figures for the reporting and subsequent periods. If the change affects the basis of the valuation, it means a change in the carrying amount, not the estimated cost.

In this case, it is very difficult to distinguish between a change in accounting policy or a calculation price. In all cases, the change is classified as a change in the estimated cost.

The fundamental difference between a change in accounting policy and a change in the estimated value is that the first is applied retrospectively and the second is applied perspective. Standards for the accounting of fixed assets and intangible assets are exceptions.

Example 3.

The enterprise has fixed assets on the right of ownership. Property, plant and equipment are valued at cost after they are recognized. During the reporting period, the entity decided to change the cost and apply the revaluation method (Səbzəliyev S.M. 2018: p.156).

The decision is not considered a change in accounting policy in accordance with IAS 11 Accounting Policy, Changes and Errors in Accounting Prices. This decision is treated as a revaluation in accordance with IAS 7, Land, Buildings and Equipment. An entity shall disclose in the financial statements the nature and amount of changes in the carrying amount.

At the same time, the effect of the change on the indicators of the reporting period and subsequent periods should be recorded (if such an effect exists). If it is not possible to assess the impact of the change, the entity must state that fact.

Errors in the preparation of financial statements can occur for a variety of reasons (for example, errors in mathematical calculations, distortion of information, deliberate deception, carelessness, etc.).

An entity that prepares its financial statements using the equity method includes in its cash flow statement the cash flows of the joint venture, its investments in the entity, its capital allocations, and other settlements between those entities. Investments or financial transactions that do not require the use of cash or cash equivalents should be excluded from the statement of cash flows (Səbzəliyev S.M. 2018: p.188).

Such transactions should be disclosed in the financial statements in such a way that they provide all relevant information about such investments and financial activities.

Although investing and financing activities do not directly affect the cash flows, they may affect the capital and asset structure of the entity. Such transactions should be disclosed in the financial statements in order to provide significant information about the relevant activities.

Generally, examples of non-monetary transactions are the acquisition of a company directly through the issuance of shares and the conversion of long-term liabilities into shares (Səbzəliyev S.M. 2018: p.198-199).

If the financial statements contain material misstatement or material misstatement, whether significant or not, the statement is not considered reliable and is not in accordance with IFRSs. Significant errors are the distortion of information by users that can affect economic decisions.

If errors are identified in the current period, they should be corrected before the financial statements are approved and submitted. When significant errors are discovered in subsequent periods, they should be corrected retrospectively in the first financial statement. The first financial report is issued after the errors are corrected. In this case, a retrospective recalculation is performed (Səbzəliyev S.M. 2018: p.190).

Errors in accounting prices

The error of the previous reporting period should be corrected retrospectively, except where it is not possible to determine its effect for the specific period or its overall effect.

When it is not possible to determine the effect of an error on comparable information for one or more past periods for a particular period, the entity assumes assets, liabilities and equity at the beginning of the earliest reporting period (which may also be the current reporting period). must recalculate and submit the balances (Səbzəliyev S.M. 2018: p.23).

If at the beginning of the current reporting period it is not possible to determine the overall effect of the error on all previous reporting periods, the entity shall re-submit the comparative data from the earliest possible reporting period in order to correct the error in a prospective manner. It is not allowed to correct the error of the previous reporting period in the profit and loss statement of the reporting period in which the error was detected.

Any information provided about previous reporting periods, including information on financial figures, should be re-submitted for the most recent reporting period.

If it is not possible to determine the amount of the error for all previous reporting periods, the entity shall reconsider the comparative information from the earliest possible reporting period.

Correction of errors is different from changes in accounting prices. Accounting values are, by their nature, approximate values that need to be verified when additional information is obtained.

Voluntary changes in accounting policies are not directly related to the issuance of new interpretations of existing standards or the entry into force of new standards. Changes in accounting policies are made by the entity on a voluntary basis.

A voluntary change in accounting policy should be based so that the change can provide more relevant and reliable information in the financial statements. If an entity changes its accounting policies on a voluntary basis, it must apply retrospective changes.

Some changes to the standards come into force not at the time of their publication, but at a later date. Immediate implementation of such changes cannot be considered a voluntary change in accounting policy. In this case, there is no need to adjust the comparative indicators.

CHAPTER III. DEVELOPMENT DIRECTIONS OF THE METHODOLOGY OF PREPARATION OF FINANCIAL STATEMENTS OF THE ORGANIZATION IN ACCORDANCE WITH THE REQUIREMENTS OF IFRS

3.1. Problems in preparing financial statements

Financial statements used primarily in a strategic context by the Corporate Finance Departments and the Board of Governors are important documents that need to be carefully prepared and produced.

However, due to the large amount of data and information that needs to be processed in most cases, this is a real challenge for the operating teams that are managing this issue. According to a recent survey, only 46% of world-class accounting teams and management monitors believe they are able to meet the demands of their internal customers.

Here are the challenges:

The accuracy of reports should always be checked

From this point of view, we can see that spreadsheets, such as Excel, are still used by financial departments to prepare financial statements. These tools do not have a dynamic approach that can be a real obstacle to accurate reporting. Version management is also very difficult in terms of collaboration.

Lack of centralization and standardization is an obstacle for companies. On average, about 75% of financial institutions use this approach. So there is ample opportunity for improvement to reduce mistakes.

Manage data from different systems

Data quality is central to producing quality reports that can be used effectively in decision-making. In addition to providing information, listeners need to understand what numbers mean and see trends.

This requires a significant amount of data from different systems. It is important to centralize and limit manipulations as much as possible, especially when it comes to data collection. In this regard, an average of 30% of the

Departments of Management and Finance believe that data collection can be improved. As a result, the goal is to increase productivity, productivity, and security in data warehousing and to prepare financial statements.

Improving joint activities

The creation of financial statements must necessarily include the implementation of a joint business strategy. All teams in question need to work together to prepare financial statements. Lack of cooperation between the groups is a real challenge and does not allow for a detailed investigation (Səbzəliyev S.M. 2018: p.188).

Lack of cooperation is often an obstacle to understanding and explaining the information in the report and the conflicts that have arisen. It is therefore important that the Department of Management and Finance report in a timely manner in conjunction with the heads of other business functions (Səbzəliyev S.M. 2018: p.198-199).

Adapt to a constantly evolving regulatory environment

In addition to the restrictions on data collection and data validation, the consolidation accountant must ensure the strict application of the latest regulatory changes required by local or international authorities (Səbzəliyev S.M. 2018: p.134-135).

A few examples include the IFRS 16 in 2019 and the ESEF Regulation, which requires that major financial statements be published in XBRL in 2020, and so on. Regular rules and demonstration formats require flexibility and responsibility to quickly adapt to these new requirements.

As a result, it is clear that the preparation of high-quality financial statements requires a good organization and environment. Given the complexity of past systems adopted by companies, we can easily understand that the difficulty of preparing financial statements for professionals remains a reality, and this requires a thorough review of their methods of operation.

Even creating a regular report takes a lot of time. In addition, there are many rules for reporting, and external stakeholders are looking for more information at an ever-increasing rate.

Financial statements are more complex with increasing time pressures, which can lead to less time to analyze and focus on collecting and verifying financial information. Not to mention the opportunity to develop strategies for development.

Effective Financial Consolidation: Facts and Controls

The good news: There is a solution. With the right FPM solution, you can significantly reduce the time it takes to prepare your financial statements. When you click on the mouse several times, the software gives you regular and reliable numbers, thus reducing the amount of time needed to fund consolidation, planning, and reporting. The benefits are obvious: in the end you have more time to analyze and develop strategies.

In this article, we will look at some of the problems that financial statements create. We will also provide you and your financial team with a number of practical tools, including a checklist that shows you how your company can use professional software or decide which software related to the consolidated financial statements (Səbzəliyev S.M. 2018: p.8).

Working with our customers, we have encountered a number of important challenges in preparing consolidated financial statements. In addition, we have identified what prevents companies from merging faster. We have summed up the most important challenges:

Challenge 1: Working with time-consuming hands

Especially when working with traditional systems such as Excel, manual data entry can take several hours: it is almost impossible to provide automated operations and integrated workflows when you press a button.

Challenge 2: Incorrect financial information

Manually entering and supporting financial information guarantees that mistakes will be made, from deliberate destruction of things to old and incorrect information, as well as to incorrect connections and formulas (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

Challenge 3: Format changes due to system errors

There may be changes to the format when working with single-solution solutions, often with incompatible information and compatibility issues.

Challenge 4: Satisfactory cooperation

Lack of system support can lead to a quick misunderstanding of deadlines, responsibilities and data transmission. Numerous summaries of explanations can extend. When separate and consolidated financial statements are not interrelated, transactions often become more complex, more complex, and inefficient (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

3.2. Development prospects for the preparation of financial statements

Developing real-time financial planning documents for a business is an important process. The following pages provide some tips to help you get the most out of your financial predictions.

Creating a good financial plan requires an in-house accounting team, external accountants, a management team, Alberta government officials, and teamwork as your owner (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

Daily maintenance helps you get the most out of your car, and as a vehicle that reflects your non-profit financial situation, there may be occasional adjustments in your financial statements. Reviewing your financial statements for ways to improve them helps to make your organization more visible to the public, your board, and current and potential donors.

There are a number of ways to better prepare and present your finances, and we have compiled a short list of four best practices and tips that can help you. Keep in mind that whether or not you are implementing the best practices outlined below, servicing your small improvements and financial statements can be a useful way to bring value to your organization.

1. Review the financial statements of peer organizations for best practice

A look at the financial statements of other organizations is a great place to start when you renew yourself. Spend some time reviewing peer-to-peer financial statements and look for the best practices that you can implement and add (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

2. Review the form of your financial statements

While it may seem like a trivial detail, the format of your financial statements is important for their ease of use and use. Some organizations use a multi-column statement of financial position (balance sheet), while others prefer a single column;

However, we have seen that many organizations use a single-column approach. This approach has been taken to meet the needs of the board members, who often look after the financial position of the trading company (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

While it may seem like the best bet for many of these organizations, many of you may have interviewed bankers and others who like to reduce the organization's liquidity.

In the case of job description (income statement), we have seen organizations take advantage of a multi-column approach. Some organizations use the “stack” approach, which is placed under each of the other categories, with changes in unlimited, temporarily restricted, and permanently restricted pure active classes. Although less common, we can consider determining whether or not there is a reason for the change in this format.

3. Add a working / non-working presentation

But another aspect of flexibility is using a non-working / non-working presentation within your work statement. Many organizations are already using this with great results.

This approach is more common among organizations with resources; however, it is not the only thing you can offer in the non-working section. Wills, basic campaign activities (income and expenses), non-recurring items such as income or loss from active sales or retirement, can be reflected in the non-working section (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

If organizations choose this presentation, they should disclose what they put in the operating / non-working sections in the notes - a low price to pay if it helps to create transparency in financial matters.

4. Process the following notes

With that in mind, checking your notes can be a simple way to update your financial statements and make them more readable and transparent.

Language

Sometimes historical information may not be relevant to the financial reporting years. Review terminology for terminology that is older than the last two years, and rewrite or delete non-financial information provided.

Consistency and order

New discoveries are often added to the end of your posts. Compare the order and flow of your main financial statements with your notes, and make sure that the notes are in a consistent and logical flow. Do the same for your organization's policy notes, and adjust accordingly.

Recurrence

Common areas of data breach include fair value, investments, funds and net assets. Review these areas and determine where the data is best presented if there is duplication.

Investments and Net Wealth

The best practice in disclosing investments and net assets is to “move forward”. In the case of investments, such an institution can make it clear how much new money has come in, how much investment has been made, and how much has been refunded for transactions.

These figures have long been published, but often not in this way, which has led to more questions from board members and the ability of financial reporting users to understand information.

We have seen a “move forward” approach that is similar to net assets that are temporarily and permanently limited. Such a table will show the new contribution to the type of restrictions, the use of funds, and the added income due to the inconsistent investment returns in most of the funds (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

Organizational Description Information

Review your current information to determine whether your organization is currently performing exactly what it is doing. Compare your published list with the current activities of your organization and open an organizational description to show current locations of operations, program activity, and key revenue sources (http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf).

It is also a good practice to review 990 for additional information that may be disclosed in the financial statements.

Revenue Recognition Policy

Revenue sources can grow and become more important to your organization, so you need to review the accuracy and completeness of your income recognition policy.

Review each important line of income statement and compare it with the relevant income recognition policy to determine whether the current disclosure adequately describes the current performance. Include additional information needed to clarify your policy.

Financial Statements Writing Policies

Include the important lines in your financial statements that are relevant to the relevant policy disclosures and the missing information.

Related Party Information

This information needs to be reviewed and updated to determine the organization's affiliation. Make sure you adequately describe the nature of the party relationship you are dealing with and that you are open to negotiating arrangements throughout the year. Add balances due to openings.

As a conclusion, simple changes to the way you present and prepare your financial statements can make a big difference in your organization’s financial transparency and thus the confidence your donors, funders, and bankers have in your financial position.

RESULTS AND SUGGESTIONS

The role of information in the modern world is constantly growing. In accounting the completeness and reliability of information is an important condition for making investment decisions and selecting customers, suppliers and other business partners. An accounting report is information that is presented in a form that is acceptable to the user.

The following results were obtained during the study of the topic:

1. The financial reporting and accounting system is related to the socio-economic development taking place in the country. It has become an objective necessity to change and develop modern market relations based on the level of business.

The entry of Azerbaijan into the world economic integration, the access of some large commercial enterprises and enterprises to foreign commodity and stock markets, as well as the intensification of investment flows from abroad are important factors for the periodic development of the system and its harmonization with world practice.

2. Research shows that the accounting system created in the country at the beginning of the transition to a market economy did not meet the requirements of harmonization of accounting, especially financial reporting, from a theoretical, methodological and practical point of view.

This system, in turn, did not have the methodology and methods to generate adequate information about events, processes, facts and new objects in a dynamic market economy.

3. International practice and research confirm that the information created in the financial statements is the basis for making informed economic decisions by users.

For this reason, the accounting system, its final stage of financial reporting, must have a methodology and methodology to generate extremely useful information for making quick and superior decisions in a changing business environment.

4. The methods of recording, obtaining, using and compiling information on economic events and facts taking place at the level of institutional units should not be one-time, but should always be specified and developed.

From this point of view, the financial reporting should be re-examined in accordance with the Interstate Standards and the changes in the operating conditions of MMUS enterprises in social, environmental, economic, normative legal directions.

5. Research shows that in order to create quality information, it is necessary to organize the given accounting and reporting system on the basis of perfect concepts and principles, to reconcile them with the requirements of real practice.

First of all, the content of the financial report, its status, purpose should be the subject of much research in theoretical, methodological and practical areas. Because without a correct explanation of these issues of financial reporting, it is impossible to specify its theoretical, methodological and practical basis and rules. Research suggests that financial statements are not widely interpreted in accounting and reporting books, including interstate and domestic standards.

6. Given that the primary purpose of financial reporting is to generate information, the relationship between reporting and information can be assessed as a correlation between form and content.

A financial statement is a form of presenting information for many different purposes, and the information itself is a quantitative expression of certain social, economic, psychological, and ethical interactions.

Financial reporting - should be adopted as a method of presenting personal information to users in a number of forms, based on accounting information to accompany and assess the property and financial condition of the enterprise, the results of its activities to make economic decisions.

LIST OF USED LITERATURE

In Azerbaijani

1. Abbasov A.Q. (2016), Mühasibat uçotunun nəzəriyyəsi, Bakı, Qanun, 346 səh.

2. Abbasov A.Q., Səbzəliyev S.M. (2013), Mühasibat (maliyyə) uçotu, Bakı, Qanun, 432 səh.

3. Səbzəliyev S.M. (2018), Maliyyə hesabatı, Dərs vəsaiti. Bakı, İqtisad Universiteti, 312 səh.

4. Səbzəliyev S.M., Quliyev Y.M. (2018), İdarəetmə uçotu, Bakı, Maarif, 333 səh.

In English

1. Ferra A.L. (2018), Financial statements of the organization: IFRS, London, TT, 231 p.

2. Henry N.I. (2017), Development aspects of the methodology for preparing the entity's financial statements in accordance with IFRS requirements. London, TT, 222 p.

3. John L.A. (2017), Investigation of the financial joints of the organization, London, TT, 322 p.

4. Leoli İ.N. (2019), Financial methodology, London, TT, 309 p.

5. Monroe İ.T. (2020), Financial management in organizations. Management Audit Journal, Birmingham, 331 p.

6. Sign A.L. (2015), Pattern of financial statements conforming to IFRS requirements, London, TT, 212 p.

7. Yorry U.U. (2018), Different requirements for IFRS in countries around the world, London, TT, 311 p.

In Turkish

1. Ahmet K.A. (2017), Kuruluşun finansal eklemlerinin araştırılması, İstanbul, Koçak, 313 s.

2. Burcu A.L. (2019), UFRS gerekliliklerine uygun mali tabloların deseni. İstanbul, Bola, 216 s.

3. Engin İ.O. (2019), Mali metodoloji. İstanbul, Teta, 348 s.

4. Ergin A. I. (2010), Kuruluşun finansal tabloları: UFRS, İstnabul, Koçak, 244 s.

5. Ersoy A.U. (2018), UFRS için dünya ülkelerinde farklı gereksinimler, İstnabul, Koçak, 428 s.

6. Feride İ.H. (2020), Kuruluşlarda mali yönetim, İstanbul, Yönetim Denetim Dergisi, 132 s.

7. Yayha U.İ. (2011), Kuruluşun finansal tablolarının UFRS gerekliliklerine uygun olarak hazırlanmasına yönelik metodolojinin geliştirme yönleri, İstnabul, Koçak, 344 s.

İnternet resources

1. http://lib.bbu.edu.az/files/book/1213.pdf - İFRS: müasir yanaşmalar 2021.

2. http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf - Maliyyə hesabatı 2021.

3. http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf - financial reports 2021.

4. http://unec.edu.az/application/uploads/2019/09/S.S-bz-liyev-Derslik_Maliyy-Hesabat-.pdf%20%E2%80%93%20financial%20reports%202021.

5. https://banker.az/maliyy%C9%99-hesabatlari/ - Maliyyə hesabatları 2021.

6. https://dergipark.org.tr/en/pub/busad/issue/56272/754374 - Maliyet ve Yönetim Muhasebesi Bilgi Düzeyinin Ölçülmesi 2021.

7. https://dergipark.org.tr/en/pub/mbdd/issue/44252/489040 - UFRS 2021.

8. https://dergipark.org.tr/en/pub/mufad/issue/30717/399237 - Muhasebe ve Finansı 2021.

9. https://econpapers.repec.org/article/amijournl/v_3a10_3ay_3a2011_3ai_3a2_3ap_3a228-248.htm - Zorunlu UFRS Uygulamasına Piyasa Tepkisi: Polonya'dan Kanıt 2021.

10. https://www.gtech.com.tr/finansal-raporlama-nedir-ve-neden-onemlidir/ - financial statements 2021.

11. https://www.ifrs.org/content/dam/ifrs/groups/trustees/analysis-of-sec-final-staff-report.pdf?la=en - İFRS foundation 2021.

12. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/conceptual-framework-for-financial-reporting.pdf - financial reports 2021.

13. https://www.kariyer.net/pozisyonlar/butce+ve+raporlama+uzmani/nedir - finans sistemi 2021.

14. https://www.muhasib.az/idareetme.php?n=10 - İFRS haqqında 2021.

15. https://www.sciencedirect.com/science/article/abs/pii/S002070631000066X?via%3Dihub - İFRS 2021.

List of schemes