

SPECIFIC CHARACTERISTICS OF ORGANIZING AN INVESTMENT PROPERTY ACCOUNT

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Abstract

The article reveals aspects of accounting of investment property in joint-stock companies based on international standards "Investment real estate" No. 40 IAS, reflection in accounting transfers and reflection in relevant items of financial statements.

Keywords: international standards of financial reporting, assets, long-term assets, fixed assets, investment property, land, building, financial reporting.

Introduction

Accounting in joint-stock companies of our republic is organized on the basis of national standards and is being implemented by transforming it to international standards.

This makes it difficult for joint-stock companies to create reliable and transparent information for the preparation of financial statements based on international standards.

Based on the above, in order for commercial banks, insurance organizations, joint-stock companies and large tax-paying enterprises to conduct their activities on the basis of international standards, the President's Decision No. 4611 of February 24, 2020 "On additional measures for the transition to international standards of financial reporting"[1] sets the goal of establishing management.

Long-term assets in joint-stock companies include fixed assets, intangible assets, long-term investments, as well as investment property, unlike fixed assets. Investment property is an asset invested by a company to achieve long-term economic goals and increase its value. Effective accounting of investment property is a necessary condition for ensuring the efficiency and sustainable development of economic entities.

Investment property is real estate that is owned (as an asset in the form of a right-of-use of the owner or lessee) for the purpose of receiving rent payments or increasing capital value, or both, for use in the production and delivery of goods, for the provision of services, for administrative purposes, as well as means an asset not intended for sale in the ordinary course of business [9].

From this we can see that the main purpose of investment property is fulfilled by rental activities.

In our practice, investment property is accounted for as part of property, plant and equipment and is leased land and buildings. In international practice, investment property is considered as investment property in a separate item within long-term assets.

Therefore, for accounting of investment property based on international standards, land and buildings intended for rent are considered as its components.

Literature Review

According to the Russian economist V.G. Belolipetsky, enterprise assets are divided into 4 groups:

1. Assets related to the current maintenance of the production capacity of the enterprise;
2. Assets necessary to protect the assets of the first group from various risks;
3. Investment assets related to business expansion;
4. Assets not directly related to the production capacity of the enterprise [9].

A.N. According to Azrilyan: Investment property is defined as long-term investment, income-generating property [10].

According to A.N. Toraev: Investment property is real estate that is owned for the purpose of obtaining rent payments or increasing capital value, or both (as an asset in the form of the right of use of the owner or lessee), which is used in the production and delivery of goods, and the provision of services, means an asset not intended for use for administrative purposes, as well as for sale in the ordinary course of business [9].

The following author's definition was formed after comprehensively researching the above-mentioned definitions: *"Investment property is real estate, land and building that can be used for administrative, production, and commercial purposes for the purpose of short-term rental."*

Research Methodology

The article uses a systematic approach, analysis and synthesis, functional and comparative analysis, grouping, induction and deduction, forecasting, logical inference, comparison of statistical data and other methods.

Analysis and results. Today, joint-stock companies prepare their financial reports based on international standards. This requires further improvement of the quality of personnel, raising the level of personnel with international certificates, wide use of accounting programs.

Investment property is mainly real estate. In practice, real estate is basically land, building, land and building.

Assets in joint-stock companies are long-term and current assets, and it is advisable to separate land and buildings from fixed assets as investment property for the purpose of leasing.

This requires accounting as a separate item for rental purposes as an investment property.

There are differences between investment property and fixed assets, and they differ depending on the purpose of service, as shown in Table 1:

Table 1 Difference between investment property and fixed assets

Basic tools	Production	Service	Administrative	Operating rent	The regulator is international standards
Land	+	+	+	Investment	40- IAS
Building	+	+	+	property	40- IAS
Machinery and equipment	+	+	+	+	16- IAS
Furniture and office equipment	+	+	+	+	16- IAS
Computer equipment and computing techniques	+	+	+	+	16- IAS
Vehicles	+	+	+	+	16- IAS
Working and productive animals	+	+	+	+	16- IAS
Perennial plants	+	+	+	+	16- IAS
Other fixed assets	+	+	+	+	16- IAS

Author's development.

From the table above, we can see that not all fixed assets can be investment property, land and building are considered as investment property, while other assets are considered as fixed assets.

The following are examples of investment properties:

- land that is held for long-term capital appreciation rather than for short-term sale as part of its normal activities.
- land whose purpose for future use has not been determined.
- a building owned by the organization and leased under one or more operating lease agreements.
- a building that is vacant, but is intended for rent under one or more operating leases.
- real estate under construction or improvement for future use as an investment property.

Investment property is recognized when it is probable that future economic benefits will flow and when its cost can be reliably estimated.

Determining the unit of account for investment property recognition requires judgment. A separate component can be taken into account individually or collectively in terms of importance.

Investment property mainly accumulates funds that are not related to other activities of the enterprise.

In accordance with IFRS No. 16 "Rent" [8], land and building are to be taken into account separately for the purposes of rent. If the lessee recognizes these objects as investment property and chooses the fair value model, it reflects them as a single unit of account.

Investment property is accounted for in accounting at initial cost and fair value. Investment property is depreciated under the cost model, but not depreciated under the

fair value model.

The starting value is considered the same as the fixed assets account, but it differs in the actual value and the difference in the order of its accounting is presented in Table 2.

Table 2 Differences between fixed assets and investment property at fair value

Basic tools	Investment property	Different aspects
Re-evaluation regularly	As of each reporting date	Fixed assets are valued at market value every month, while investment property is considered for rental purposes
To reserve capital	Profit and loss	Revaluation of property, plant and equipment is reflected in reserve capital in the equity section of the statement of financial position, and investment property is reflected in profit or loss.
It is a wear and tear	Wear is not considered	Investment property does not depreciate, while fixed assets change from their initial cost to depreciation.

Author's development.

From the table above, we can see that investment property and fixed assets are significantly different from each other in terms of their fair value and are accounted for separately.

An entity may choose either the fair value model or the initial value model as its accounting policy for investment property. An entity is required to apply this accounting policy to all of its investment properties.

After initial recognition, the organization that chooses the initial value model should value the investment property according to:

- if it meets the criteria for classification as an asset held for sale (or is included in the group for disposal held for sale) in accordance with IFRS No. 5 "Non-current assets held for sale and discontinued operations" [7];
- if it is held by the lessee as an asset with the right to use and is not intended for sale according to IFRS No. 5, in accordance with IFRS No. 16;
- in all other cases, in accordance with the requirements of IAS No. 16 on the initial value model.

According to IFRS 13[6], fair value is the price that would be received to sell an asset or pay to transfer a liability in an ordinary transaction between market participants at the valuation date.

The enterprise has the opportunity to reliably estimate the real value of the investment property in the construction process, which was previously evaluated at the initial value, it should evaluate this real estate at the real value.

In light of the above, separate line items of the " Long-term assets " section of the asset part of the financial statement It is appropriate to include the line " Investment property " and, as a result, it allows the company to reflect the difference between fixed assets and investment property and to consider them separately in the account (Table 3).

Table 3 The procedure for reflecting investment property in the statement of financial position

Indicators	String code
Assets	
Long-term assets	
Basic tools	010
Investment property	013
Biological asset	014
Intangible assets	020
Goodwill	023
Long-term investments	030
Deferred tax assets	121
Total non-current assets	130

Author's development.

From the table above, we can see that showing investment property separately from the structure of fixed assets, first of all, it is possible to see its difference in the report for foreign investors, and secondly, it is possible to see the difference of the amount.

Investment property serves to increase the competitiveness and efficiency of economic entities. Long-term investments in fixed assets allow the company to improve its production capacity and technological equipment, which leads to an increase in the quality of products or services and an improvement of their competitive position in the market. In turn, increasing the efficiency of business processes and the use of new technologies allows to reduce costs and increase the overall efficiency of the joint-stock company.

Thus, investment property plays an important role in the economy and the development of economic entities. It serves to increase the volume of production, create jobs, attract investments, and increase the competitiveness and efficiency of joint-stock companies. Analysis and study of this role will help to better understand the importance of investment property and develop recommendations for effective property management in business entities.

As we know, fixed assets in joint-stock companies are long-term assets, in which fixed assets are grouped separately, and it is advisable to separate "Investment property" separately from fixed assets.

This means that in the long-term assets section of the financial statements of joint-stock companies based on international standards, the land and building intended for short-term lease are considered investment property.

In conclusion, it can be said that investment property is a long-term asset, which, unlike fixed assets, is considered for the purpose of renting and is regulated based on the standard of IAS No. 40 "Investment Property".

Conclusion

1. "Investment property is real estate, land and building that can be used for administrative, production, and commercial purposes for short-term rental."

2. It is appropriate to recognize real estate as investment property and owner-occupied real estate.
3. Immovable property used by the owner - used for production, supply of goods, provision of services and administrative purposes, according to the 16-BHXS "Fixed Assets" standard, is the property in the organization's own ownership, and according to the IFRS 16 "Rent" standard, it is a leased asset as an asset with the right to use.
4. Investment property as long-term assets should be considered as a separate item of investment property in fixed assets, which serves for proper organization and maintenance of long-term assets account based on international standards.

In short, investment property is included in the balance sheet at the initial and initial values, which are determined by the accounting policy of the enterprise, but it will not be possible to reflect the initial value in the true value, which serves to create differences in the assessment of its value.

References

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