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# REVENUE ACCORDING TO NATIONAL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

***Abstract***: *The article describes the role of the National Standards of Accounting of the Republic of Uzbekistan and International Standards of Accounting, we will reveal the definitions of revenue, the revenue recognition steps, its shortcomings, its requirements and its problems.*

***Key words:*** revenue, profit, revenue, contingent asset and contingent liability, identification, buyer, investor.
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## Introduction

We know that the Decision of the President of the Republic of Uzbekistan "On additional measures for the transition to international standards of financial reporting" was published in the official press in February 2020.

According to it, from January 1, 2021, joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers will organize accounting based on International Financial Reporting Standards (IFRS), and from the end of 2021, prepares the financial report on the basis of IFRS.[1]

To date, the Presidential Decree of the Republic of Uzbekistan dated February 24, 2020 No. PQ-4611 "On additional measures for the transition to international standards of financial reporting" — IFRS) by accelerating the transition to provide foreign investors with the necessary information environment and to expand access to international financial markets, as well as to improve the system of training specialists in accounting and auditing according to international standards [2]. We would not be wrong to say that the presentation of the report is an important foundational information in attracting external factors of economic development.

We know that the main goal of investors is to obtain low costs and high profits. Today, because the recognition of revenue is not fully defined in the national accounting standards, some types of small enterprises, firms and business entities do not receive any revenue classifies as revenue. However, international standards describe revenue and income in detail. According to it, there are 5 stages of revenue recognition, which we will explain in this article.

[1]March 9, 2020 - "On measures to transition to international standards of financial reporting" President of the Republic of Uzbekistan Sh.M. Mirziyoyev... KUN.UZ

[2] PQ-4611 of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting" by accelerating the transition, providing foreign investors with the necessary information environment and expanding access to international financial markets, as well as improving the system of training accounting and auditing specialists according to international standards. Lex.uz

**Literature review**

First, relying on the literature, if we distinguish revenue, profit and income from each other;

Revenue is money received from the sale of manufactured goods of the enterprise.

Profit is the excess of the income received from the sale of goods and services over the costs incurred for the production of these goods.

Income is income in the broad sense of any money or material assets with monetary value, money and goods-material income that an economic entity can receive as a result of its activities.

The term income is defined as follows in the National Accounting Standard of the Republic of Uzbekistan No. 2 (Revenues from Basic Economic Activities).

An increase in economic value during the reporting period in the form of an increase in assets or a decrease in liabilities that leads to an increase in private capital, in addition to an increase related to investment by owners of private capital during the reporting period.

Based on international financial report standards, the terms revenue and income are defined as follows in IFRS No. 15. According to him;

Revenue - income from the usual activities of the organization.

Revenue should reflect the reimbursement that the entity expects to be entitled to receive in lieu of the goods and services provided.

An increase in economic benefits during the reporting period in the form of an improvement in the quality of income or assets or a decrease in the size of liabilities, which leads to an increase in private capital that is not related to the contributions of owners.

Now let's analyze the 5 stages of its recognition in international standards, 15th (IFRS) standard called Revenue from contracts with customers.

To recognise revenue under IFRS 15, an entity applies the following five steps:

Identify the contract(s) with a customer.

Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.

Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.

Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.

Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied

As we analyze these stages, new terms begin to appear. Of these;

A contractual asset is the right of the organization to receive payment in exchange for the goods or services provided to the buyer, and except for the evidence of the passage of a certain time, such a right arises when it depends on another condition.

Contractual obligation - the organization's obligation to provide goods or services for which it has received a fee from the customer (or a fee is paid to the organization).

The customer is a counterparty who has entered into an agreement with the organization for the purchase of goods and services that are the result of the organization's normal activities.

First stage: Identification of the contract with the customer. At this stage, we look at whether the contract is actually concluded with the counterparty, whether we can determine the exact measure and the contract from it.

Second stage: Identification of contractual obligations. We define the responsibilities that we have to fulfill at this stage.

Executable responsibility is a promise to deliver differentiated goods or services to the buyer.

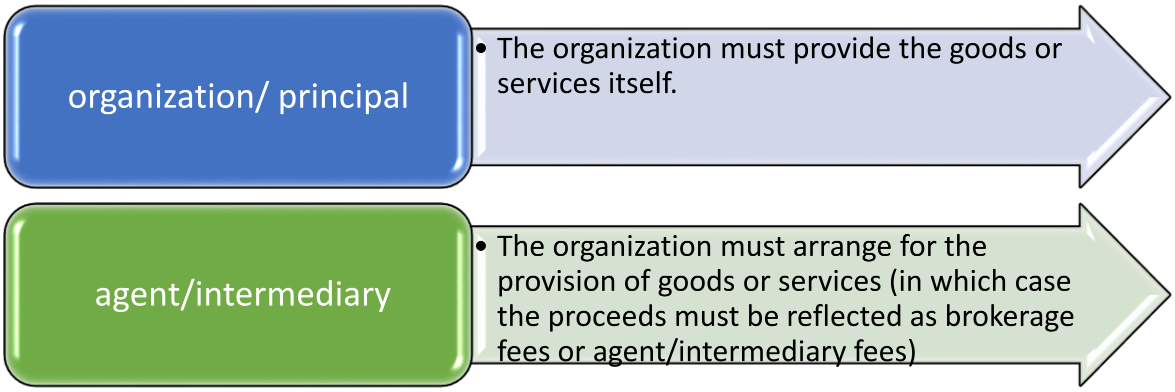
First of all, we need to determine the units of accounting in which the transaction price should be allocated and revenue should be recognized.

Two criteria must be met for goods and services to be separated:

1. The customer can use the goods or services independently

2. The obligation to deliver goods or services to the buyer must be identified separately from other obligations in the contract.

The organization can be charged with 2 types of responsibility.




**Picture 1.**

Third stage: The transaction price is the reward/payment amount, which the organization will be entitled to receive in exchange for the goods and services provided to the buyer, as expected.

The transaction price may include a fixed or variable amount, and third party benefits are deducted from the price.

If the period between the payment of the price for the delivery of the goods or services to the buyer is expected to be no more than one year at the time of the conclusion of the contract on the transaction price, no adjustment to the promised compensation amount is required.

To make an adjustment to the amount of the fee, the discount rate that can be used for a separate financing operation between the organization and its buyer during the conclusion of the contract is used.

The calculated discount value is fixed and does not change even when interest rates change and other conditions change.

The fourth stage: Distribution of the price of the operation. If the contract includes several obligations, the price must be divided into separate obligations. The separate price is determined when the contract comes into effect.

The distribution of the price of the operation between the separate obligations for the performance of the contract will be in the following sequence.

1. Determining individual sales prices.

2. As the products are sold separately, on the basis of the relative individual sales prices, the distribution of the transaction price specified in the contract.

Discounts are distributed proportionally between the fulfilled obligations.

Separate sales price is also determined in two ways:

A) Actual - observed value.

B) If there is no evaluated-observable evaluation.

Fifth stage: Revenue recognition. Revenue should be recognized when the responsibilities performed by transferring control over the promised goods or services to the buyer are fulfilled (or depending on their fulfillment).

Control over an asset—the ability to determine how it will be used and obtain substantially all of the remaining benefits from the asset.

We may have the following questions:

1. Is the revenue recognized during the period?

2. Is revenue recognized at a specific point in time?

First of all, let's analyze whether it is necessary to recognize the income during the period. There are 3 criteria for this.

A) The buyer receives and consumes benefits from the results of the organization's activities at the same time depending on its implementation.

B) The activity creates and improves an asset that the buyer controls.

C) An irreplaceable asset is created (that is, it can only be used by the buyer) and the organization has a legally protected right to payment for the results of activities completed up to the current date.

Once the contract is concluded, the organization cannot change the price.

Let's analyze the second question. Is the revenue recognized at a certain point in time? If the obligation is not fulfilled during the period, the organization fulfills the obligation to be fulfilled at a certain time. In order to determine the moment when the entity that acquires control over the promised asset of the buyer fulfills the obligation under the contract:

- Taking into account control requirements

- It is necessary to take into account the indicators of giving control.

Control, i.e. control over the asset, must be within the requirements of the following criteria.

- Determining how to use it.

- The ability to receive almost all other benefits from the asset.

Control handover indicator:

1. The organization has the right to receive fees.

2. The buyer must have received a certificate of ownership of the asset

3. The asset is physically given.

4. The buyer assumes all serious risks and has the right to receive all benefits from the asset.

5. The buyer must have accepted the asset.

We can classify any amount that meets the above requirements as income based on the international standard. If we look at No. 2 of the national accounting standards "Income from the main activity", it is written that "The main issue in accounting for the income from the main economic activity" is to determine the time of revenue recognition. Income from the main economic activity is reflected when it is probable that future economic benefits will flow to the economic entity, and when this benefit can be reliably and precisely measured. This standard defines the situation in which the requirements of these criteria are met and, consequently, income from the main economic activity is recognized. It also provides practical guidance on the application of these criteria." So, in the process of analysis, we need to classify income as income, and income as income.

To sum up, first of all, income and income are considered similar concepts, and we can conclude that income is broader than income. For example, we consider that an enterprise or organization has income, but on the other hand, it is not an income for an organization or enterprise, it has 100 c.u. He spent in b, but for some reasons he received 40 c.u. the inability of representatives to distinguish the terms of income and receipts and do not know how to recognize them will cause some deficits in their future reports. Next, it is not wrong to say that the adoption of the new IFRS No. 15 has clearly demonstrated the need for further improvement of our national standards.

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