



RELIABILITY OF INFORMATION PROVIDED IN THE FINANCIAL REPORT.

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For financial information to be useful and meaningful, information from one reporting period must be comparable with that from another reporting period. Users should be aware of the accounting policy used by the entity in preparing financial statements, any changes to that policy, and the consequences of such changes.

Consistency of expenses with income in the reporting period means that in this period, only expenses that are the basis for receiving income in this reporting period are reflected. If it is difficult to establish a direct relationship between income and expenses, expenses are distributed among several reporting periods according to the one-to-one distribution system. This applies, for example, to depreciation expenses spread over several years.

The true valuation rule for assets and liabilities is that their cost or purchase price is the primary valuation.

In some cases provided by the standards, the actual price may differ from the purchase price.

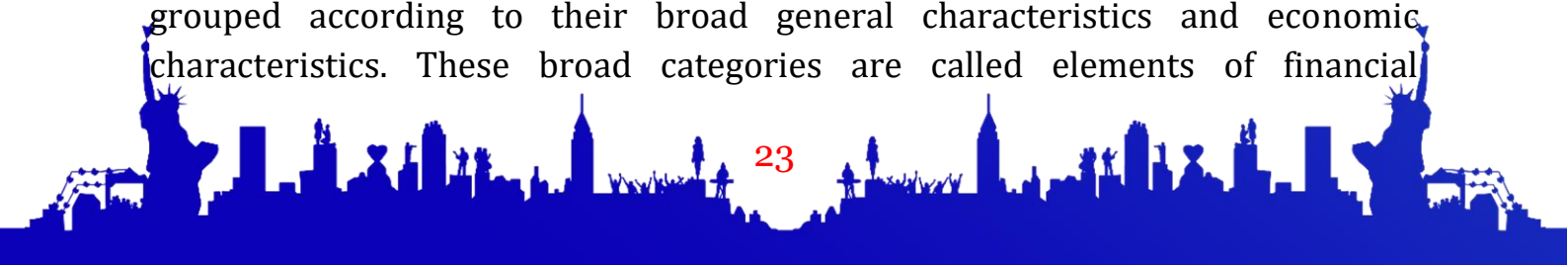
Accounting policies are considered consistent from one period to another. Users should be able to compare the financial statements of an entity in different accounting periods to determine the principle of change in its financial position.

With an unreasonable delay in reporting information, it loses its economic significance. Timely reporting may require a report before all aspects of a transaction or other event are known, which undermines its credibility.

The balance between benefits and costs is not a qualitative description, but rather a limitation in principle. The benefits of information should exceed the costs of obtaining it.

In practice, there must often be a balance or trade-off between quality descriptions. The purpose of this is to achieve appropriate consistency between descriptions. The relative importance of descriptions in different circumstances is a matter of professional judgment.

Financial reporting reflects the results of transactions and other events, grouped according to their broad general characteristics and economic characteristics. These broad categories are called elements of financial





reporting. The elements directly related to the measurement of financial position in balance are assets, liabilities and private capital. In the statement of profit and loss, the elements related to the measurement of the results of activities are revenues, expenses, profits and losses.

Recognition is the inclusion of one of the items in the balance sheet or profit and loss statement that meets the criteria for the recognition of the items listed below. Recognition is the act of expressing an item in words and reflecting its monetary value, as well as reflecting this amount in the balance sheet and the statement of profit and loss.

A substance that meets the definition of an element must be recognized when it meets the following criteria:

(a) there must be a possibility that any intended benefit associated with the substance will be obtained by the entity,

(b) the item must have an acceptable basis for measurement in monetary terms and be attributable to the entity.

The measurement or calculation criteria are based on four quantitative indicators, and it is assumed that the items taken into account in the appropriate order differ in terms of comprehensibility, relevance, reliability and also comparability:

Identification of the element. The item must meet the definition of an element of the financial statement.

Measurability. A substance has a corresponding characteristic (description) that can be precisely measured.

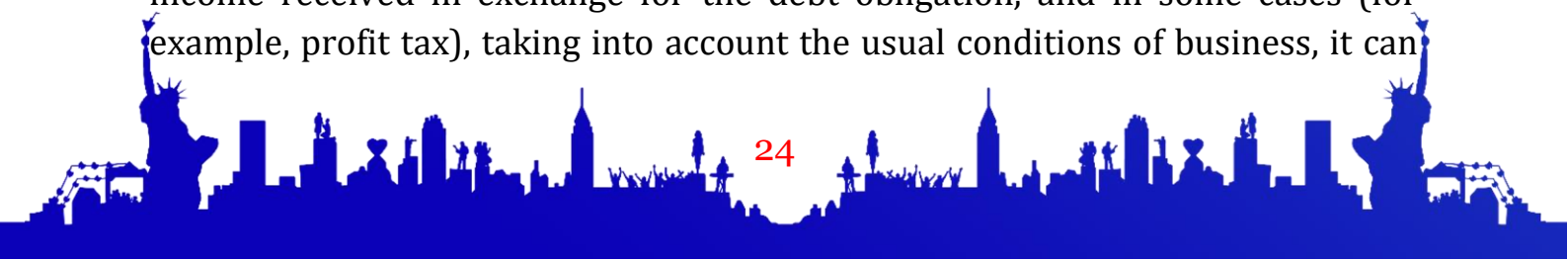
Dolzarblik. The information contained in the article is capable of influencing the decisions made by users.

Industriousness. The information contained in the article is reliable, neutral and verifiable.

Valuation is the process of determining, recognizing, and including in the balance sheet and profit and loss statement the monetary amounts of financial statement items. For this, it is necessary to choose a certain method of assessment.

A number of different methods are used in financial reporting. These methods can include:

Historical value. Assets are accounted for at the time of purchase or their equivalents, or at their fair value. Liabilities are recorded in the amount of income received in exchange for the debt obligation, and in some cases (for example, profit tax), taking into account the usual conditions of business, it can





be reflected in the amount of cash or their equivalents necessary to repay these obligations.

Recovery value. Assets are stated at the time of their acquisition at the amount of cash or cash equivalents that would have been paid to acquire a similar asset at the time of purchase. Liabilities are reflected in the undiscounted amount of cash and cash equivalents currently required for repayment of this obligation.

Selling (recovery) value. Assets are stated at the cash or cash equivalents that would normally be required to acquire them. Liabilities are shown at the undiscounted amount of cash and cash equivalents that would be required to be paid if they were currently required to be settled.

Discounted value. Assets are stated at the discounted amount of the future net inflows that may be generated by the asset, assuming business as usual. Liabilities are reflected in the discounted amount of the future net reduction of the funds necessary to repay these liabilities, assuming that things are conducted in the usual order. **Historical value** is the most widely used valuation accepted by enterprises as the basis of valuation in the preparation of financial statements. It is usually used in conjunction with other assessment criteria. For example, inventories are generally stated at the lower of cost or net realizable value, marketable securities are stated at their market price, and benefit obligations are stated at their discounted value.

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