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## Practical Fundamentals of Organization of Private Capital Accounts in the Republic of Uzbekistan

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**Annotation:** In the manual for independent study of accounting, published by F.G. Gulomova and U.T. Fayzieva, it is stated that represents". It would be more appropriate to use this definition not as "owners 'share in the property" but as "the sum of the owners' share in the monetary unit of the enterprise's property".

**Keywords:** Added capital, retained earnings, capital components, reserves, grand, and subsidy.

M.Umarova, U.Eshboev, K.Ahmadjanov's textbook "Accounting" defines "Charter capital is the sum of money invested by the founders in the determination of the property of the enterprise, the conduct of its activities, as defined in the constituent documents." This definition of charter capital clearly defines its definition in the constituent documents and the monetary value of the contributions made by the founders, but the definition of "carrying out activities" or "determination of the property of the enterprise" does not correspond to the characteristics of charter capital.

It would be appropriate to define the charter capital as follows, eliminating the shortcomings in the definitions listed above. Authorized capital is the amount of a set of tangible and intangible assets contributed in monetary terms in accordance with the shares established by the founders at the time of establishment of the business entity for the initial support of the activities specified in the constituent documents.

- added capital - the sum of the issue income formed as a result of the initial sale of shares at prices above the nominal value and the total value of the exchange rate difference of the Central Bank of the Republic of Uzbekistan on the date of registration of constituent documents and contribution of funds to the charter capital;
- reserve capital - a positive difference in the value of the property formed during the revaluation of assets, the amount of reserves formed from retained earnings up to the level of interest established by the charter of the enterprise and formed at the expense of the received value of property received free of charge;

- purchased private shares - the value of the joint-stock company's own shares, purchased for the purpose of repositioning or liquidation in the future;
- retained earnings (uncovered losses) - the sum of net profit (loss) for the reporting year and accumulated profit (loss) for previous years;
- Target revenues - the sum of the amount of grants, subsidies, membership fees, tax benefits and other targeted revenues received for the implementation of targeted activities.
- Reserves for future expenses and payments - funds accumulated by the enterprise for future expenses and payments, as well as reserved for the purpose of even distribution of expenses between the periods to which it applies.

The classification of the composition of private capital into groups of a specific nature increases the ability to analyze changes in the value of private capital, facilitates the addition of new components or the removal of existing elements from the structure of private capital. It is recommended to classify private capital into groups "Investors' investments", "Enterprise funds" and "Future investments" (Figure 1.2). This is because the division of the elements of private capital into these three groups allows to determine from which source the change in the value of private capital occurs, as well as to make a reliable assessment of the enterprise.

The size of the authorized capital determines the minimum amount of the enterprise's property and serves as a guarantee of satisfaction of creditors' interests. Enterprises of different forms of ownership have their own peculiarities in the formation of authorized capital.

In recent years, it can be observed that joint-stock companies and their activities are developing rapidly, as well as accumulating large amounts of financial resources. This is the result of ongoing reforms in the securities market and corporate governance. Based on the study of data on the number of joint-stock companies operating in the country and the amount of shares issued by them, it can be seen that the volume of shares issued increased by 9 times compared to 2016 (see Table 1.1).

**Table-1.1. Information on the number of joint stock companies and shares issued<sup>1</sup>**

	01.01. 2016	01.01. 2017	01.01. 2018	01.01. 2019	01.01. 2020	14.08. 2020
number of joint stock companies	714	660	607	603	593	595
Issue volume (billion soums)	16472,85	30463,84	48650,58	59307,17	99209,77	148096,55
Annual growth rate compared to last year		1,9	1,6	1,2	1,7	1,5
Growth compared to 2016		1,9	3	3,6	6,0	9,0
Number of shares (million)	2319589,8	3245766,9	4527134,6	6179633,4	9309535,6	10047559,9
Annual growth rate compared to last year		1,4	1,4	1,4	1,5	1,1
Growth compared to 2016		1,4	2	2,7	4,0	4,3

According to Table 1.1, which provides information on the number of joint-stock companies and the number of shares issued, the value of the authorized capital of joint-stock companies operating in the country is

<sup>1</sup> deponet.uz - " Created by the author on the basis of information on the official website of the state enterprise "Central Securities Depository".

growing 1.5 times a year on average. This implies the urgency of researching and improving the equity account of joint stock companies.

As a result of classification of components of private capital according to the proposed groups (Fig. 1.2) they are divided into the group of funds contributed by the founders, the group of funds developed and accumulated during the enterprise and the group of funds formed under the influence of external factors. can be arranged. The aggregation of items in the composition of private capital by these groups allows to determine in the process of analysis of private capital exactly the share of items in its total value and increases the level of clarity of the results.

**Table-1.2. Analysis of the share of elements of private capital of JSC "Quartz" <sup>2</sup>**

(in a thousand soums)

№	Elements	01.01. 2018	Share (%)	01.01. 2019	Share (%)	01.01. 2020	Share (%)
1	Charter capital	78460118	33,8	82705204	27,0	165410409	49,9
2	Added capital	50169	0,01	3336448	1,1	3336448	1,0
3	Reserve capital	35287391	15,2	52556002	17,2	63503325	19,2
4	Retained earnings	88230177	38,0	84544817	27,6	38784100	11,7
5	Targeted revenues	-	-	34356056	11,2	12874550	3,9
6	Reserve for future expenses	30440724	13,1	48690118	15,9	47601630	14,4
7	Total sources of own funds:	232468579	100,0	306188645	100,0	331510462	100,0
8	Share of the balance sheet (%)	86,0	-	97,3	-	72,9	-
9	Total balance:	270400396	-	314813678	-	454475858	-

The shares of the components of private capital in relation to the total value of their own sources of capital and their change over the years can be seen from the data in Table 1.2.

The growth rates of private equity elements over the years can be seen from the data in Table 1.3. However, the data in Tables 1.2 and 1.3 do not allow us to determine exactly what factor caused the change in the value of private capital in general. Each item of private equity represents different levels of change over the years. Finding the factor that causes the change in the total value of private equity without grouping them by one property causes inconvenience to users of financial reporting data. This problem can be solved by group analysis of private capital items by source of formation.

**Table-1.3. Dynamic analysis of the elements of equity of JSC "Quartz" <sup>3</sup>**

(in a thousand soums)

№	Элементлар	01.01. 2018	Share (%)	01.01. 2019	Growth (%)	01.01. 2020	Growth (%)
1	Charter capital	78460118	90,9	82705204	5,4	165410409	100,0
2	Added capital	50169	-	3336448	6550	3336448	-
3	Reserve capital	35287391	2,2	52556002	48,9	63503325	20,8
4	Retained earnings	88230177	25,5	84544817	-4,2	38784100	-54,1
5	Targeted revenues	-	-	34356056	-	12874550	-62,5
6	Reserve for future expenses	30440724	59,4	48690118	60,0	47601630	-2,2
7	Total sources of own funds:	232468579	40,8	306188645	31,7	331510462	8,3
8	Share of the balance sheet (%)	86,0	-	97,3	-	72,9	-
9	Total balance:	270400396	-	314813678	-	454475858	-

<sup>2</sup> Compiled by the author on the basis of financial statements of JSC "Quartz".

<sup>3</sup> Compiled by the author on the basis of financial statements of JSC "Quartz".

The results of the analysis based on the classification of private equity elements by groups are presented in the following tables (see Tables 1.4 and 1.5).

**Table-1.4. Change in the share of components of the new classification of private capital of JSC "Quartz"<sup>4</sup>**

(in a thousand soums)

№	Groups of elements	01.01. 2018	Улуш (%)	01.01. 2019	Share (%)	01.01. 2020	Share (%)
1	Foundations of the founders	78510287	34	86041652	28	168746857	51
2	Funds earned by the enterprise	123517568	53	137100819	45	102287425	31
3	Funds for determining fair value and for future use	30440724	13	83046174	27	60476180	18
4	Total sources of own funds:	232468579	100	306188645	100	331510462	100
5	Share of the balance sheet (%)	86,0	-	97,3	-	72,9	-
6	Total balance:	270400396	-	314813678	-	454475858	-

The change in the total value of private capital is given Table 1.4 analyzes the components of private capital into groups of founders, funds generated by the enterprise and funds expected to be used in the future. From the data in this table, it is clear how the share of the components of private capital has changed over the years. Based on this information, business management or investors can make management, financial and investment decisions.

The analysis of growth indicators over the years, dividing the elements of private capital into groups of founders, funds generated by the enterprise and funds expected to be used in the future, is presented in Table 1.5. Dividing the analysis and presentation of data into these groups is in line with the objectives of International Financial Reporting Standards and increases the level of understanding of the analysis.

**Table-1.5. Analysis of the growth rates of the structural elements of the private capital of JSC "Quartz" according to the new classification<sup>5</sup>**

(in a thousand soums)

№	Элементлар гуруҳлари	01.01. 2018	Growth (%)	01.01. 2019	Growth (%)	01.01. 2020	Growth (%)
1	Foundations of the founders	78510287	191	86041652	110	168746857	196
2	Funds earned by the enterprise	123517568	118	137100819	111	102287425	75
3	Funds for determining fair value and for future use	30440724	159	83046174	273	60476180	73
4	Total sources of own funds:	232468579	141	306188645	132	331510462	108
5	Share of the balance sheet (%)	86,0	-	97,3	-	72,9	-
6	Total balance:	270400396		314813678		454475858	

Resolution of the President of the Republic of Uzbekistan dated August 1, 2018 No PD-5495 "On measures to radically improve the investment climate in the Republic of Uzbekistan" Decree No. PP-3946 of September 19, 2018 "On measures to further develop auditing in the Republic of Uzbekistan" and Resolution No. PP-4611 of February 24, 2020 "On additional measures for the transition to International Financial Reporting Standards" It is necessary to investigate the requirements of the decision.

<sup>4</sup> Database on the basis of JSC "Quartz" was created by the author.

<sup>5</sup> Compiled by the author on the basis of financial statements of JSC "Quartz".

Perfect accounting of private capital in enterprises established on the basis of partnership creates the basis for sustainable development of these enterprises, increasing the trust of the founders and the correct formulation of strategic plans of the enterprise. It is necessary to know the differences and take into account the specifics of the accounting of enterprises established on the basis of partnership.

Formation of the authorized capital of joint-stock companies is based on the number of issued shares and their nominal value. This is stipulated by the Law of the Republic of Uzbekistan No. 370 "On Joint Stock Companies and Protection of Shareholders' Rights". The document also pays special attention to the protection of shareholders' rights. If the number of founders in a joint-stock company does not exceed fifty, the shareholder who wants to sell his share, first of all, other shareholders of the company will have the privilege to buy at a price and terms offered to a third party. If the shareholders of the company do not use this privilege, the company itself will have the opportunity to use this privilege. If the company does not want to use this privilege, the shareholder will have the right to sell its share to a third party.

A limited liability company is a business company established by one or more persons, the charter capital of which is divided into shares in the amounts specified in the constituent documents. The amount of divided shares in the charter capital of such a company shall be determined in the constituent documents, and its participants shall be liable for the obligations only within the limits of their property.

The charter capital of a limited liability company consists of the nominal value of the shares of its founders. The procedure and scope of its formation shall be determined in accordance with the requirements of the Law "On Limited Liability and Additional Liability Companies".

In accordance with the Law of the Republic of Uzbekistan "On amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the adoption of additional measures to improve the business environment in the country" approved by the President of the Republic of Uzbekistan Sh. Mirziyoyev on March 20, 2019 No ZRU-531 the minimum requirements for the amount of authorized capital of operating business entities have been changed. According to Article 14 of the Law on Limited Liability Companies and Additional Liability Companies, the minimum amount of authorized capital of a limited liability company is set in the license requirements from March 20, 2019 (up to this time it was 40 times the base amount).

Other norms of the amount of the authorized capital for business entities on types of activity in branches of economy can be established. Legislation on certain types of enterprises contains requirements for the amount of formation of authorized capital (Appendix 1).

Requirements for the amount of charter capital of joint-stock companies Newly established joint-stock companies in the real sector 1.6 billion for societies According to the Decree No. PD-5495 of August 1, 2018 "On measures to radically improve the investment climate in the Republic of Uzbekistan", this amount was set at 400 million soums. From March 20, 2019, the minimum amount is set in the license requirements.

According to the official website of the Central Securities Depository, the number of joint-stock companies operating in the country today is 595 (see Table 1.6).



**Table-1.6. Information on the number of issuers and the total volume of issued securities <sup>6</sup> (As of 14.08.2020)**

№	Sphere of economic activity	Number of JSCs	Share in total number of JSCs (%)	Volume of issues (billion soums)	Shares (million units)
	Total:	595	100	148096,55	10047559,92
1	Industry	157	26,39	79971,03	2485447,85
2	Agriculture	198	33,28	4651,90	1512910,12
3	Services	168	28,24	18546,62	160619,99
4	Including the financial sector	72	12,10	44927,00	5888581,96

According to the table, which provides information on the number of issuers and the total volume of securities issued, 26.39% of joint-stock companies operating in the country operate in industry, 33.28% in agriculture, 28.24% in services (see Table 1.6). This indicates that the majority of joint-stock companies have organized their activities in the manufacturing sector.

Table 1.7 shows that the distribution of the number of joint-stock companies in the Republic of Uzbekistan and the volume of shares issued between the regions of the country differs significantly. Reducing this gap will ensure the rapid development of the country's economy and a balanced distribution of production activities throughout the country.

**Table-1.7. Information on the number of JSCs in the Republic of Uzbekistan and the total volume of issued shares <sup>7</sup>**

	Section of regions	Number of JSCs	Share in the total number of JSCs (%)	Volume of issues (billion soums)	Percentage of output volume
	Total joint stock companies	595	100%	148 096,55	100%
	Including:				
1	The Republic of Karakalpakstan	20	3,36%	85,98	0,06%
2	Andijan region	36	6,05%	778,10	0,53%
3	Bukhara region	36	6,05%	209,84	0,14%
4	Jizzakh region	17	2,86%	346,53	0,23%
5	Kashkadarya region	42	7,06%	1 053,42	0,71%
6	Navoi region	19	3,19%	2 331,07	1,57%
7	Namangan region	23	3,87%	178,81	0,12%
8	Samarkand region	30	5,04%	149,45	0,10%
9	Surkhandarya region	22	3,70%	103,51	0,07%
10	Syrdarya region	16	2,69%	213,33	0,14%
11	Tashkent region	48	8,07%	1157,37	0,78%
12	Fergana region	45	7,56%	1 275,26	0,86%
13	Khorezm region	27	4,54%	196,78	0,13%
14	Tashkent city	214	35,97%	140 017,11	94,54%

<sup>6</sup> www.deponet.uz - Created by the author on the basis of the official website of the state enterprise "Central Securities Depository".

<sup>7</sup> www.deponet.uz - The data on the official website of the state enterprise "Central Securities Depository" is compiled mainly by the teacher.

Proportional distribution of joint-stock companies located in Tashkent at the regional level will have a positive impact on increasing employment and reducing the cost of products produced in the regions due to low labor resources.

A decrease in the cost of products of joint-stock companies increases its income and creates a basis for an increase in private capital. The increase in the level of income of the population in the regions will provide an opportunity for them to join the ranks of shareholders.

According to the sixth part of Article 14 of the Law on Limited Liability Companies as of August 1, 2012, at the time of state registration of a limited liability company, each participant was required to contribute at least 30% of his share.

However, from August 1, 2012, the Presidential Decree No. PD-4455 of 18 July 2012 "On measures to radically improve the business environment and give greater freedom to entrepreneurship" until the state registration of this requirement for partial payment of the authorized capital for entities, with the exception of credit institutions.<sup>8</sup>

Each participant of a limited liability company is required to pay its contribution to the charter capital within the period specified in the decision on the establishment of the company in accordance with the terms of the memorandum of association. The term must not exceed 1 year after the state registration of the business company.

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<sup>8</sup> Decree of the President of the Republic of Uzbekistan "On measures to further radically improve the business environment and give greater freedom to entrepreneurship" Tashkent, July 18, 2012, PD-4455. source: [www.lex.uz](http://www.lex.uz)