



ISSUES OF THE ESSENCE AND CLASSIFICATION OF LONG-TERM ASSETS

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Abstract: This article analyzes the theoretical issues of long-term assets in accounting. In various approaches, such assets in regulatory documents are presented as resources purchased by enterprises for shares, bonuses or long-term exploitation. Also, long-term financial investments and assets recognized as investment property are considered one of the effective directions for future capital investment. Therefore, it is urgent to reconsider the classification and characteristics of long-term assets.

Keywords: long-term assets, principles, development trends, costs, royalties, law, uncertainty, practice, attitude, investment, investment property.

Introduction. An enterprise must have the necessary economic resources for its effective operation, since it is these resources that are the main factor in the production of goods or services. The expansion of market relations is increasing competition in the economy, and in this environment, economic entities that are able to use existing resources rationally and purposefully gain an advantage. In economic theory, all tangible and intangible assets used by an enterprise in its production activities are called assets.

In the process of adapting to international financial reporting standards in Uzbekistan, assets began to be divided into two types - long-term and short-term assets. This new approach differs from the classification in the previous standard accounting plan - long-term and current assets.

Assets are classified as long-term if they meet the following conditions:

- must be acquired for use in the production or service activities of the enterprise;
- they must be intended for permanent use, not for sale;
- must have a useful life of more than one year.

The main purpose of long-term assets is to be used effectively in the production of products, the provision of services, and the sale of goods. They can also be used for rental, administrative purposes, or to maintain fixed assets in working condition.

Review of relevant literature. Long-term assets are the main economic tool for the effective implementation of production and service activities of an enterprise. In enterprises operating in the manufacturing sector, a significant part of the property belongs to this type of assets [12]. The condition of these assets and the level of their effective use directly affect the economic results of the enterprise.

Through the full and targeted use of long-term assets, all technical and economic indicators of the enterprise are improved: increased labor productivity, increased return on funds, increased production volumes, reduced costs, and savings on capital investments are ensured[21]. In such conditions, it is important to properly conduct economic analysis in order to make rational management decisions and implement them in practice[3].

In today's market economy, accounting serves as a reliable and excellent source of information for the management of the enterprise and its owners. It remains an important tool in forming product costs and prices, controlling the process of effective use of long-term assets, and assessing investment potential[23].

The economic reforms being implemented in Uzbekistan are aimed at fundamentally renewing the structure of the economy and its sustainable development. In this process, it is important to identify the liberalization and modernization of private property relations as one of the priority tasks[3]. At the same time, there is a need to eliminate ambiguities in the concepts of the criteria for assessing and classifying long-term assets. In particular, in countries whose economies are transitioning to market principles, including Uzbekistan, the valuation principles and criteria used in accounting need to be clarified[24].

As market relations develop, current accounting policies prevent the correct reflection of new types of assets in financial statements. For example, objects such as royalties, goodwill, the right to occupy land plots as property, long-term receivables, deferred expenses, long-term financial investments and leasing relations are not sufficiently reflected in accounting practice[22]. The above circumstances indicate that the accounting of long-term assets requires a comprehensive study of theoretical, legal, organizational and methodological aspects. This makes the need for the formation of perfect accounting mechanisms for them even more urgent.

According to I.I. Ismanov, capital turnover is divided into fixed and working capital. Fixed capital restores its original value over several cycles, whereas working capital regains its previous form after a single turnover.

Based on the turnover of capital, fixed capital value is split into two parts. One part becomes part of finished goods and is realized as cash through sales and recorded as depreciation. The other remains in production as material or intangible capital.

Working capital transfers its entire value into products during one cycle, fully transforming into the value of new products.

Results. The analysis of the current state of long-term asset classification and accounting leads to the following results:

1. Alignment with IFRS: The introduction of the terms “long-term” and “short-term” assets aligns national accounting practices with international standards but requires further refinement for effective application.
2. Comprehensive scope: Long-term assets should include not only tangible fixed resources but also intangible assets, financial investments, and other elements that generate future economic benefits for more than one year.
3. Regulatory improvement: The definitions in the Law “On Accounting” and IFRS Standard No. 1 need to be updated. Using the term “long-term” instead of “main” and expanding the definition to cover shares, premiums, and property rights would better reflect the true nature of assets.
4. Practical effect: Accurate classification and valuation of long-term assets ensure transparency of financial statements, improve investment attractiveness, and support rational managerial decisions.
5. Strategic significance: Effective management and utilization of long-term assets contribute to productivity growth, cost reduction, and sustainable enterprise development.

In conclusion, the results confirm the urgent need to improve methodological and regulatory frameworks for accounting of long-term assets in Uzbekistan, ensuring both compliance with international standards and relevance to national economic conditions.

Analysis. The study of long-term assets in the context of Uzbekistan's transition to international financial reporting standards reveals several important aspects. First, the classification of assets into long-term and short-term represents a new stage in accounting

practice, replacing the former division into fixed and current assets. This approach aims to reflect more accurately the economic essence of enterprise resources.

Second, the criteria for long-term assets—use in production or service activities, intended permanent utilization, and a useful life exceeding one year—highlight their fundamental role in enterprise operations. Their primary purpose is not only direct participation in production but also support of administrative functions, leasing, and investment activities.

Third, the expansion of the scope of long-term assets beyond tangible fixed capital shows the increasing importance of intangible resources, financial investments, deferred expenses, and property rights. These elements, though not always directly involved in production, provide long-term economic benefits and enhance the investment potential of enterprises.

Fourth, the process of correct recognition and reflection of long-term assets in financial statements remains a challenge. Ambiguities in classification and valuation create obstacles for accurate reporting and for management to make sound economic decisions. This problem is especially evident in economies undergoing structural reforms and adapting to global standards.

Finally, the analysis shows that the existing legal definitions and accounting standards do not fully capture the multi-dimensional nature of long-term assets. This leads to inconsistencies in practice and highlights the need for methodological improvements and clearer regulatory guidelines.

The process of correct recognition and reflection of long-term assets in financial statements is closely related to a comprehensive study of their economic essence. In current national accounting, assets are classified as property resources of an enterprise, but this definition has been used mainly in relation to fixed capital.

In the conditions of a modern market economy, new types of accounting objects have also entered the structure of long-term assets, the economic essence of which differs from traditional fixed capital. For example, intangible assets, financial investments, long-term receivables and deferred expenses - all of them participate in the activities of the enterprise for a long time.

In particular, intangible assets, although they do not participate directly in the production process, bring economic benefits as an indirect factor in generating income. Also, long-term financial investments and assets designated as investment property are also one of the directions of effective investment of capital in the future.

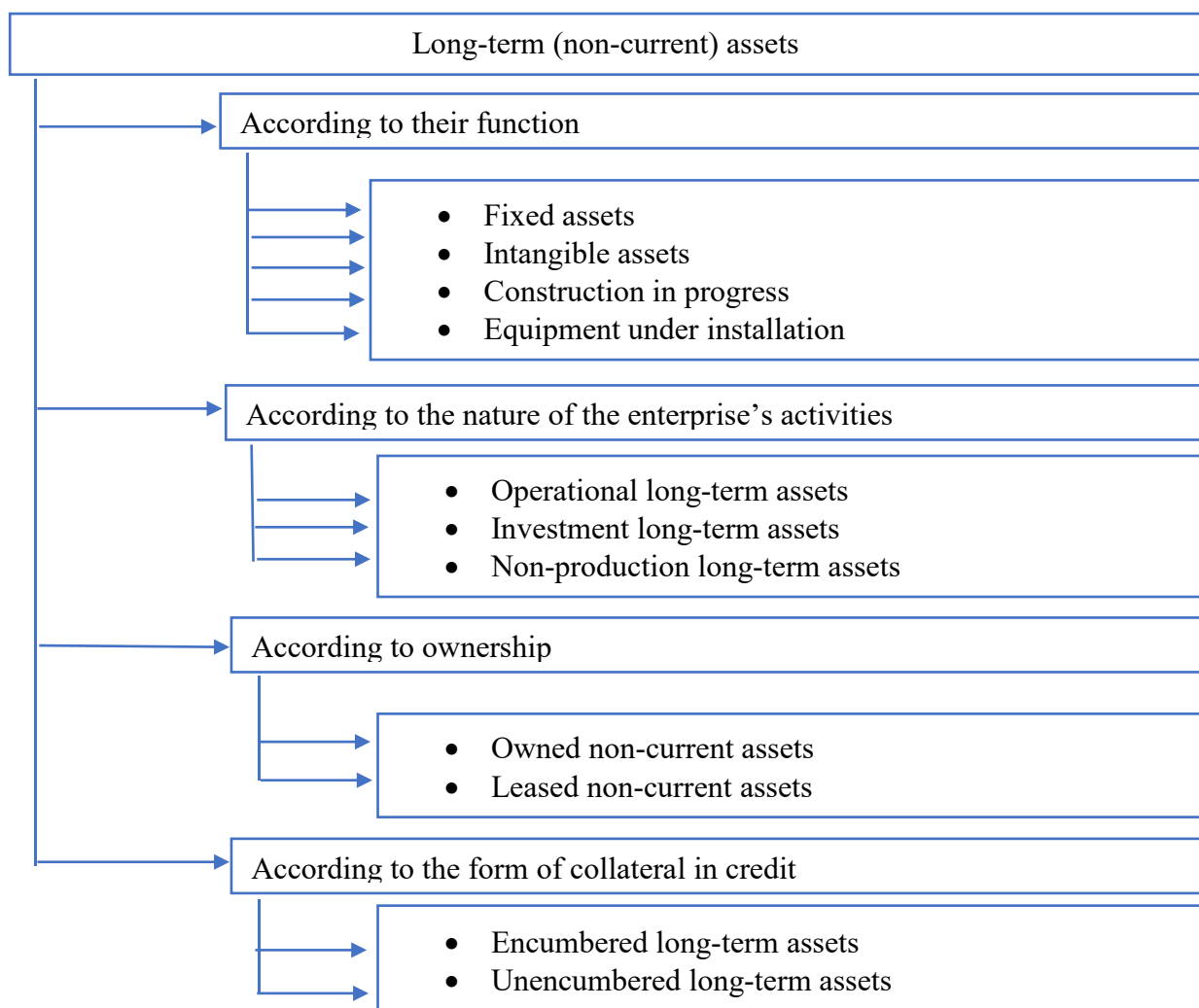


Figure 1. Classification of long-term assets by characteristics

All of the above aspects require a new methodological approach to reviewing the classification and characteristics of long-term assets, their assessment and accounting.

The definition of long-term assets given in the regulatory legal acts of the Republic of Uzbekistan, including the Law "On Accounting" and IFRS Standard No. 1 "Presentation of Financial Statements", in our opinion, cannot fully and accurately reflect the economic essence of these assets. Therefore, we consider it appropriate to use the term "long-term" instead of the word "main" in Articles 16-17 of the Law "On Accounting".

It is also proposed to supplement paragraph 11 of IFRS Standard No. 1 with the following definition:

"Long-term assets are assets that are acquired by an enterprise in the form of shares, premiums or other forms and are intended for use for more than 12 months, have the ability to generate future economic benefits and are under the control of the enterprise."

The conducted studies show that the classification and description of long-term assets in our country has not been sufficiently scientifically studied. Summarizing the opinions of various experts, the formation of the correct classification and characteristics of these assets in the process of accounting for long-term assets and analyzing the financial condition of the enterprise based on financial statements is of great importance for consumers of financial information in making the right management decisions.

In our opinion, the above views, on the one hand, serve to bring the composition of long-term assets closer to the requirements of international financial reporting standards, and on the

other hand, help to correctly form a system of indicators when analyzing the activities of the enterprise.

Professor G.V. Saviskaya states that long-term assets (fixed capital) are the means of an enterprise aimed at long-term goals, including real estate, bonds, stocks, mineral reserves, interests in joint ventures, intangible assets, etc.[19]

I.A. Zavalishina in her work "Modern Accounting" defines long-term assets as follows:... "Long-term assets include the following assets:

- 1) with a useful life of more than one year;
- 2) used repeatedly in the activities of the enterprise;
- 3) not intended for sale."...[7]

However, if the possibility of long-term assets generating future economic benefits is questioned, then there is a possibility of their sale. Therefore, the description as "non-resaleable assets" may sometimes be incorrect.

In the definition of economist V.V. Kovalev, long-term assets are assets used in the activities of the enterprise for more than one year. However, this definition, in our opinion, covers only the time criterion and does not sufficiently reflect other important aspects[9].

Discussion. Based on the above analytical and theoretical considerations, it can be noted that long-term assets are a strategic economic resource that ensures the long-term sustainable development of an enterprise. Their correct classification, determination of their essence and development of clear methodological approaches to their assessment are one of the pressing issues of today.

The definition and classification of long-term assets in existing national legislation and financial reporting standards is not sufficiently complete. In particular, such basic regulatory documents as the Law "On Accounting" and IFRS No. 1 do not contain definitions that fully cover the economic content of these assets. In this regard, it is considered necessary to make amendments and additions to these regulatory documents.

An analysis of scientific sources shows that the definitions given by various experts, although they reflect some of the characteristics of long-term assets, cannot fully cover them. From this perspective, it is appropriate to define these assets as follows: Long-term assets are economic resources acquired by an enterprise through a share, premium, or purchase, intended for use for more than 12 months, capable of generating future economic benefits, and controlled by the enterprise.

Such an approach, on the one hand, ensures convergence with international financial reporting standards, and on the other hand, serves as a reliable basis for users of financial information to properly analyze the financial condition of the enterprise and make management decisions. Therefore, in-depth study of the theoretical, legal and practical aspects of long-term assets and improvement of mechanisms for their correct accounting will serve to increase the efficiency of the national accounting system in the future.

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