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Article

Accounting and Valuation Rules for Long-Term Assets Held For Sale

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Abstract: This article highlights the existing problems and shortcomings in the classification and accounting of long-term assets in business entities in the digital economy. Difficulties in meeting the requirements of International Financial Reporting Standard IFRS 5 were considered. The study proposed specific criteria to address key challenges faced by businesses, including assessing the likelihood of selling assets and uncertainty in determining fair value.

Keywords: Digital economy, business entity, long-term assets, classification for sale, International Financial Reporting Standard IFRS 5, financial statements, fair value, internal control system, audit, fair value.

1. Introduction

Long-term assets are one of the important elements that determine the production potential of any enterprise in the real sector of the economy. They play an important role in determining the long-term development directions of the enterprise, ensuring its financial stability and increasing competitiveness. [1] Also, the effectiveness of long-term asset management is considered as one of the important indicators that determine the overall profitability of an enterprise, its market position and investment attractiveness.[2] The issue of classification and accounting of long-term assets as "held for sale" is one of the urgent tasks facing enterprises today. [3]

With the introduction of international financial reporting standards (IFRS), in particular IFRS 5, certain requirements have been established for the classification of long-term assets for sale and their reflection in financial statements. According to this standard, if an enterprise intends to sell its asset and the likelihood of selling it is high, the asset is considered "intended for sale" and depreciation on its account ceases, and the carrying value and selling costs in practice face various difficulties and difficulties. In particular, the absence of clear mechanisms for assessing the likelihood of the sale of assets, establishing fair value in the context of market price volatility and the termination of the depreciation process leads to serious confusion in the financial statements of enterprises [4]. Therefore, there is a need to improve the mechanism of classification and accounting of long-term assets for the implementation of.

In the digital economy, long-term assets are one of the important elements that determine the production potential of any enterprise in the real sector of the economy. They play an important role in determining the long-term development directions of the enterprise, ensuring its financial stability and increasing competitiveness.[5] Also, the effectiveness of long-term asset management is considered as one of the key indicators that

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determine the overall profitability of the enterprise, its position in the market and investment attractiveness. The issue of classification and accounting of long-term assets as "held for sale" is one of the urgent tasks facing enterprises today. [6]

International Financial Reporting Standards, in particular International Financial Reporting Standards (IFRS) 5 Long-term assets held for sale and liquidated activities [7] The implementation of the International Financial Reporting Standard has a significant impact on our financial statements as it reflects a two-part long-term asset in the financial statements (Illustration 1).

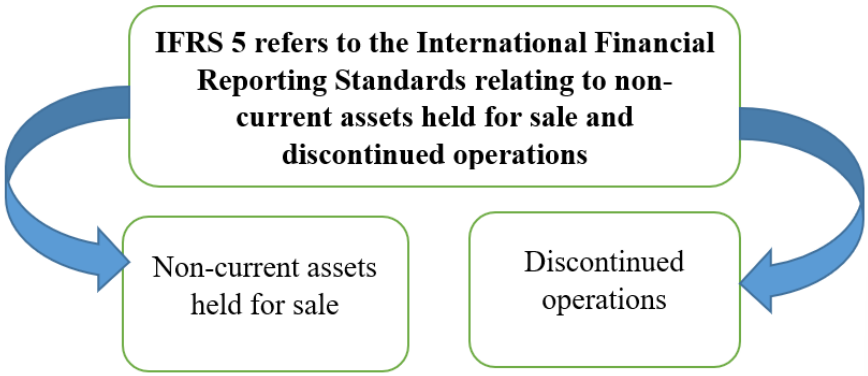

Illustration 1. Liquidated activities (IFRS) 5 Non-current assets held for sale and discontinued operations

Defines certain requirements when classifying and reflecting in the financial statements long-term assets held for sale and indicators related to liquidated activities reflected in Illustration 1. Therefore, according to this standard, it is important to accurately report issues related to the accrual of depreciation when business entities are considered "assets intended for sale". [8]

However, when applying these requirements in practice, enterprises face various difficulties. In particular, the lack of clear mechanisms for assessing the likelihood of selling assets, establishing fair value in conditions of market price volatility and ending the depreciation process leads to serious confusion in the financial statements of enterprises. Therefore, there is a need to improve the mechanism of classification and accounting of long-term assets for the implementation of. [9]

Existing problems in accounting and valuation of long-term assets intended for sale are widely discussed in international practice. Many studies have noted that mistakes made by enterprises in the asset accounting process have a negative impact on the accuracy of financial statements, which leads to erroneous decisions of investors and other stakeholders. As the main problem for enterprises, the absence or uncertainty of clearly defined criteria for accounting for assets intended for sale is indicated. This can lead to misjudgment by enterprises of the value of assets, errors in financial statements and, as a result, to erroneous investment and credit decisions.

In addition, this problem is gaining importance not only locally, but also internationally. For example, in the USA and Europe, different approaches are applied to the classification and valuation of assets, which makes it difficult to compare international financial reports [10]. Therefore, the issue of effective implementation of international standards in practice and improvement of existing methodologies today remains one of the central topics of many economic studies.

2. Materials and Methods

This study extensively analyzed existing theoretical and practical approaches to classifying long-lived assets as held for sale and keeping records of them. Methods of

documentary analysis, comparative analysis and content analysis were chosen as the methodological basis of the study. The documentary analysis was aimed at studying international financial reporting standards, especially IFRS 5 and the relevant scientific literature. [11] This standard defines the conditions and rules for keeping records of assets classified as held for sale. Analyzing this document, the study identified the theoretical foundations of the requirements of the standard and noted the importance of these foundations in the preparation of international financial statements. The benchmarking method, which is the next methodological component of the study, made it possible to compare the practice of accounting for long-term assets by enterprises from different countries. Studied practices in the USA, Europe and other countries, especially in developed countries.[12]

The content analysis method provided an in-depth analysis of how long-term assets are classified in financial statements as held for sale and reflected in calculations. Content analysis examined in detail the specific elements of the financial statements and the problems encountered in the classification of assets.

As a result of in-depth analysis, the main problems in this area were identified and scientifically substantiated. In particular, studies conducted by Veronica Stefan examined in detail the difficulties faced by enterprises in classifying assets as held for sale. These studies identified weaknesses in the mechanisms for assessing the likelihood of selling assets, determining fair value and derecognizing depreciation, and provided evidence-based recommendations. Other studies examining international experience were also reviewed as part of the literature analysis. At the same time, it was noted that the absence or uncertainty of the criteria clearly indicated in the calculations of assets negatively affects the reliability of the financial statements. These publications show that the lack of clear criteria reduces the effectiveness of investment and credit decisions made by enterprises. Therefore, within the framework of this study, it was noted that it is necessary to improve the methodology for classifying and accounting for long-term assets based on existing international standards and scientific literature. Scientific research and practical experience carried out in this direction, in particular, on the example of the USA, European countries and Asia, further strengthened the scientific basis of research. At the same time, the results of the analysis of the literature show that it is necessary to strengthen the close relationship between the existing theoretical foundations and international standards. [13].

3. Results and Discussion

The results of the study showed that in the process of classification and accounting of long-term assets for sale, we are talking about the main provisions given in IFRS No. 5 "Long-term assets for sale and liquidated activities" [14]. The purpose of this standard is to clarify the accounting for assets held for sale, as well as disclosure of information on liquidated activities.

In particular, a standard is required:

(a) Assets that meet the classification criteria for sale are measured at the lower of their carrying amount and fair value, after deducting costs associated with the sale. Depreciation on such assets will be discontinued;

(b) information on assets meeting the classification criteria as held for sale should be presented separately on the front of the balance sheet and the results of discontinued operations should be presented in the income statement.

Assets subject to valuation under this International Financial Reporting Standards (IFRS) are not applied as separate assets or as part of a write-off group:

(a) deferred tax assets (IAS 12: Income Taxes);

(b) assets arising from workers' income ("Employee Incentives");

(c) under IFRS 9 Financial Instruments financial assets;

(d) Long-term assets accounted for under IAS 40 fair value model;

(e) Long-term assets measured at cost after disposal costs in accordance with IAS 41;

(f) Contractual rights based on insurance contracts defined in IFRS No. 4 Insurance Contracts.

An organization is required to classify long-term assets (or an issued group) as held for sale if its carrying amount is not covered by further use, but by operations to sell it mainly.

A long-term asset classified as held for sale is a long-term asset whose carrying amount is not covered by its use, but by its sale transactions.

Fair value is the price received from the sale of assets or paid when transferring obligations in a transaction based on the desire and will of market participants at the valuation date.

Selling expenses (costs to sell) are additional expenses related to the disposal of assets (except for financial expenses and income tax expenses).

A cash-generating unit is the smallest identifiable group of assets that generates cash flows that are not significantly dependent on cash flows from other assets or groups of assets.

A component of an entity is transactions and cash flows that are clearly separated from other activities of the company in terms of business activities and for financial reporting purposes.

A disconnected operation is a component of a company that is classified as retired or held for sale and

• a particularly important line of business or territory of the company

(economic and sectoral or geographical segment);

leaves as part of a single shooting plan; or

• subsidiaries acquired solely for the purpose of subsequent continuing sale.

A disposal group is a group of assets that results from a single transaction intended for sale or otherwise, as well as the liabilities associated with those assets and transferred in the course of that transaction.

Sotish uchun mo‘ljallangan uzoq muddatli aktivlarni tan olish va davomiy baholash.

Long-term assets classified as held for sale in accordance with international standards in the statement of financial position

as part of working capital. " Therefore, an in-depth study of the issues of recognition, measurement and reflection in the financial statements of long-term assets classified as held for sale, the development of methodological procedures for their implementation and application is extremely relevant. IFRS No. 5, Non-current Assets Held for Sale and Discontinuing Operations, in the standard "Long-term assets classified as held for sale are their carrying amounts, which are not covered by their use, but by their disposal. In particular, a standard is requiredi:

(a) Assets that meet the classification criteria as held for sale are measured at the lower of their carrying amount and fair value, after deducting costs associated with the sale. Depreciation on such assets is discontinued;

(b) information on assets meeting the classification criteria as held for sale should be presented separately on the front of the balance sheet, and the results of operations to be completed should be presented in the income statement.[15]

Sales operations may also provide for the replacement of one long-term asset with another only if such replacement is to be of a commercial nature in accordance with IAS 16 Property, Buildings, Machinery and Equipment. The criteria for recognition of long-

term assets intended for sale in accordance with IAS 5 are given. We can reflect them in the following diagram.[16]

If an entity has acquired a long-term asset for its permanent resale or disposal, it is required to classify it as a long-term asset held for sale from the date of that purchase, only that the period set in clause 8 of the standard to one year for its sale or disposal must be met. A long-term asset is considered held for sale if the asset is allocated to the owner. To do so, the asset must be available in its current state for immediate sale and is likely to be distributed. An entity should not classify a long-term asset that is to be discontinued as held for sale, as its carrying amount is primarily covered by continuing use. [17]

Long-term assets (disposal group) classified by an entity as held for sale should be measured at carrying amount and the lower of fair value less costs to sell [18].

4. Conclusion

As a result of this study, existing problems in the classification and accounting of long-lived assets were identified, as well as theoretical and practical aspects in this area were deeply analyzed. In particular, the study examined uncertainties in assessing the likelihood of selling assets in enterprises, frequent changes in market conditions and shortcomings in methods of determining fair value. This negatively affects the reliability of the financial statements and complicates the decision-making process of stakeholders. In this regard, the following recommendations have been developed to address the problems identified during the study.

Firstly, developing a model to automate the process of primary classification of long-lived assets held for sale, estimating their fair value and determining the lowest fair value with residual value using Big Data and Business Intelligence (BI).

Secondly, improving the disclosure of long-term assets and liquidated activities in the financial statements (Statement and notes on financial position when applying IFRS 5).

Thirdly, in order to reduce the risks of transferring long-term assets to a category intended for implementation at development enterprises, develop a "Scorling - model and decision-making matrix" that takes into account the liquidity of the asset and market conditions, as well as improve the methodology for their correct balance sheet classification.

Fourth, when determining the fair value of the equipment involved in the production intended for sale, it would be advisable to develop a "Specialized Accounting and Calculation Model" to estimate the discounted value of future costs for dismantling, disposal and environmental restoration.

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