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ACCOUNTING FOR THE ECONOMIC CLASSIFICATION OF INTANGIBLE ASSETS IN THE REPUBLIC OF UZBEKISTAN

Abstract: Questions and situations arising in the economic classification of intangible assets are analyzed in the article and practical conclusions are given.

Key words: intangible asset, patent, license, know-how, software, franchising, royalties, absolute and non-absolute right of use, licensor, licensee.

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Introduction

Intangible assets are considered, property objects that do not have material content used in the long term (over 1 year) in the process of production, performance of works, rendering of services and gradually transferring its cost to the cost or expense of the period.

According to NAS No. 7 of the Republic of Uzbekistan named "intangible assets", intangible assets mainly include the following:

1. Patents, licenses and know-how;
2. Trademarks, trade marks and industrial designs;
3. Software;
4. The Right to use land and natural resources;
5. Franchising;
6. Copyright;
7. Goodwill;
8. Other intangible assets.

Now let's analyze the issues and situations that arise during the economic classification of these intangible assets.

Analysis of Subject Matters

*NSB No. 7 "Intangible assets" (revised), registered by the Ministry of justice of the Republic of Uzbekistan on June 27, 2005 No. 1485 (in a new version). This Standard was amended by Decree of the

Minister of Finance of the Republic of Uzbekistan no. 9 - th 14 September 2012 no. 1485-3.

For example:

Question #1: What national standard is used to evaluate intellectual property objects?

Answer #1: Evaluation of intellectual property is carried out in accordance with the guidelines for the application of the national standard for property valuation of the Republic of Uzbekistan No. 13 "Valuation of intellectual property", registered by the Ministry of justice of the Republic of Uzbekistan on June 18, 2012 No. 2371.

Question #2: Does the right to use property included as a share in the authorized capital of the enterprise include in the composition of intangible assets?

Answer #2: the Right to use property, which is included as a share in the authorized capital of the enterprise, is included in the composition of intangible assets.

Question #3: in accordance with the main criteria for including assets in intangible assets, an economic entity does not intend to resell these assets in the future. In the opposite case, which account should account for the cost of creating these assets?

Answer #3: Otherwise, the cost of creating these assets should be accounted for in the 2010 "Main production" account.

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Question #4: According to NSB #7 "Intangible assets", as one of the main criteria for inclusion of assets in intangible assets, it is necessary that it is possible to identify these intangible assets. In accordance with what criteria are intangible assets identifying?

Answer #4: If an intangible asset can be separated, that is, if it can be separated from the enterprise, sold, given to someone, leased, and if it can be exchanged by contract or obligation (other than goodwill), then the intangible asset is considered identifying.

Question #5: how can production secrets be called differently?

Answer #5: "Know-how"

Question #6: are intangible assets the right to use the name of the place of production of goods under intellectual property objects?

Answer #6: The right to use the name of the place of production of goods for intellectual property are an example of intangible assets.

Question # 7: is the right to use land and natural resources an example of an intangible asset?

Answer #7: The right to use land plots and natural resources are intangible assets.

Question # 8: In accordance with the legislation, organizational expenses are not included in intangible assets?

Answer #8: On the basis of the legislative act of February 24, 2009, recognized by the constituent documents, organizational expenses (expenses for the organization of a legal entity) are not included in the composition of intangible assets in accordance with the order of the Minister of Finance of the Republic of Uzbekistan dated January 21, 2009 No. 7.*

Question #9: Are the intellectual and productive qualities of the company's employees, as well as their qualifications and ability to work, included in the intangible assets?

Answer #9: The intellectual and productive qualities of the company's employees, as well as their qualifications and ability to work, are not included in the intangible assets, since they are indivisible and cannot be used without their owners.

Question 10: Intangible assets with a non-exclusive right to use, i.e. a non-exclusive right to use intellectual property objects - are they included in the balance sheet of the enterprise as intangible assets?

Answer #10: Non-absolute right to use intellectual property objects are not included in the balance sheet of the enterprise as intangible assets, their accounting is maintained in the off-balance sheet account No. 015 "Received intangible assets for operation".

Question # 11: are licenses (permits) issued by authorized bodies for certain types of activities Included in intangible assets?

Answer #11: Licenses (permits) issued by authorized bodies for certain types of activities are included in intangible assets

Question # 12: what is the minimum period of validity of issued licenses to operate in the Republic of Uzbekistan

Answer #12: In Uzbekistan, licenses have been issued for at least five years for the implementation of activities.

Research Methodology

*Order of the Minister of Finance of the Republic of Uzbekistan " on amendments and additions to the national accounting standard of the Republic of Uzbekistan (NSB No. 7) "Intangible assets". Registered by the Ministry of justice of the Republic of Uzbekistan on February 14, 2009, registration no. 1485-1]. Tashkent, January 21, 2009, no. 7.

Question # 13: what types of licenses are issued for an unlimited period of activity?

Response No. 13: On the basis of the Decree of the President of the Republic of Uzbekistan of 16 July 2012 № up-4453 1 August 2012 on publishing activities, expertise of construction projects, architectural and town-planning documentation, design, construction, use and repair of gas and oil pipelines and oil products for an unlimited period of activity.

Question # 14: How much of the state fee and fee is paid to open an audit activity in the Republic of Uzbekistan?

Answer #14: to open an audit activity in the Republic of Uzbekistan, you must pay a state fee in the amount of four minimum wages and the amount of compensation in the amount of one minimum wage (on the day of payment).

Question # 15: How much does a license to transport passengers and cargo in urban, suburban, intercity and international transport cost per unit of vehicle in the Republic of Uzbekistan?

Answer #15: Since January 1, 2010, according to the Decree of the President of the Republic of Uzbekistan dated December 22, 2009 no.PP-1245, a license to transport passengers and cargo in urban, suburban, intercity and international directions per unit of vehicle, depending on its type, costs from 250 to 1000 us dollars.

Question # 16: If, as of February 1, 2018, we pay 2 minimum wages to the authorized state authority for reviewing documents related to the license, how should we display this economic process in the company's accounting?

Answer # 16

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Table 1.

№	Content of the business transaction amount	In Sumy	Debit	Credit
1	Displaying purchase expenses of the license as an intangible asset	344 480	0830 "Acquisition of intangible assets"	6690 of "other liabilities"
2	Displaying the payment for the license	344 480	6960 "other obligations"	5110 "Current account"

Question # 17: for Example, an enterprise must pay a state fee of 340 times the minimum wage once a year to carry out its activities, starting from February 1, 2018. How is this business process reflected in accounting?

Answer #17: in accounting, the amount of the state fee and the fee charged by the authorized state

body for reviewing the license are included in the total costs of the license.

In such a case, five-year state license fees as part of long-term and current expenses are recorded in the accounting as follows:

Table 2.

№	Contents of the business transaction	Amount (in thousand soums)	Debit	Credit
1	Display of the long term part of the expenses of the 5-year state license	292 808,0	0830 "Acquisition of intangible assets"	7920 "Other long term debt to various creditors"
2	Displaying the accrual of the annual license fees the current part of the long term liabilities	58 561,6	7920 "other long term debts to various creditors"	6950 "long term liabilities – current accountpart"
3	Display of annual payment	58 561,6	6950 "long term liabilities current part"	5110 "Current account"

In this case, the total five-year amount of the state fee is 292,808. 0 thousand soums. We will divide these liabilities into long-term (7920 "other long-term debts to various creditors" - 292,808. 0 million soums) and current part of long - term liabilities (6950 "long - Term liabilities-current part" - 58,561.6 million soums). After that, the annual current payment is made by reducing the funds (5110 "Current account»)

Question #18: for Example, the company included a license in the balance sheet, making out the payment of five-year state duties in the amount of 292,808. 0 thousand soums, as well as payment to the authorized state authority for reviewing documents in the amount of 344,480 soums (in February 2018, the amount of 2 minimum wages). How do we display these business processes in accounting in this situation?

Response No. 18:

Amount: 293 152 480

Debit: 0410 " Patents, licenses and know-how

Credit: 0830 "Acquisition of intangible assets".

Amount: 293 152 480

In this situation, the payment of five-year state fees in the amount of 292,808,0 thousand soums, as well as payment to the authorized state authority for reviewing documents in the amount of 344,480 soums

(in February 2018, the amount of 2 minimum wages) are included in the total license expenses. The license amounts will be credited from the credit of account 0830 "Acquisition of intangible assets", to the debit of the active account 0410 "Patents, licenses and know-how".

Question #19: for Example, the company paid the initial payment for the license in February 2017 (50,923,500 soums), and the second payment should be made on January 2, 2018 (recall that in Uzbekistan in December 2017, the minimum wage increased by 15% and amounted to 172,240 soums).

How do I display this business process in accounting?

Answer #19: in this case, we first charge the current part of long-term liabilities in the amount of 50,923,500 soums, i.e.:

1. Amount: 50,923,500

Debit: 7920 "other long-term debt to various creditors" Credit: 6950 " long-Term liabilities-current portion»

2. When we cover the current portion of long-term liabilities:

Amount: 50 923 500

Debit: 6950 " long-Term liabilities-current portion»

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Credit: 5110 " Current account»

3.in connection with the increase in the minimum wage, payment is made in the following order: 172,240 * 340 = 58,561,600 soums.

Amount: 58 561 600

Debit: 7920 " other long-term debt to various creditors»

Credit: 6950 "long-Term liabilities-current portion"

Amount: 58,561,600

Debit: 6950 " long-Term liabilities-current portion»

Credit: 5110 "Current account"

Question # 20: What is the accounting unit of intangible assets?

Answer #20: the Accounting unit for intangible assets is the right to an inventory item.

Question # 21: Which national accounting standard regulates the accounting of intangible assets in the Republic of Uzbekistan?

Answer No. 21: Accounting for intangible assets in the Republic of Uzbekistan is regulated by the National accounting standard No. 7 "Intangible assets", approved by order No. 35 of the Ministry of Finance of the Republic of Uzbekistan dated March 25, 2005.

Question # 22: what is royalty?

Answer #22: Royalties (from English royalty – royalties to the author of a book, play; deduction, percentage for each production, each sold copy) - a compensation (fee) paid within a specified period for the use of copyright, patent rights, natural resources, etc.

Analysis and results

In accordance with paragraph 20 of the national accounting standard of the Republic of Uzbekistan No. 2 "Income from main activities", royalties are recorded as payment for the right to use such assets as trademarks, patents and software . Such payments also include payments for the rights to use musical works, original recordings, and copyrights to feature films. These rights are generally recognized in accordance with the terms and conditions of the agreement between the parties. From a practical point of view, these rights of use during a certain period of use can be attributed to cost items through the straight-line method of depreciation. Transfer of rights for a fixed fee or for an uncompensated guarantee under an irrevocable contract that allows the licensor (right holder) to freely use these rights, and the licensee has no outstanding obligations. An example is a software

license agreement where the license representative (licensor) has no obligations after delivery. Another example is granting rights to show a feature film in markets where the licensee cannot control distributors and does not expect to generate further box office revenue. In such cases, revenue is recognized at the time of sale.

In some cases, receiving or not receiving royalty payments depends on future events. In such cases, revenue is recognized only after the event has occurred.

Question #23: what is meant by franchising?

Answer #23: Franchising translates as "franchise" in English, which means "privilege and ease"*Franchising describes the absolute right to use brand names and well-known trademarks for predefined rules and a fixed fee. From the point of view of insurance activity, a deductible is a condition of an insurance contract that provides for the insurer's exemption from compensation for losses that do not exceed a certain amount. Registration of franchising for accounting of financial and economic activities of enterprises of the Republic of Uzbekistan franchising (franchises) it is accounted for on account 0460 "Franchising", and their depreciation on account 0560 "franchise depreciation".

In conclusion, much attention should be paid to the fact that the economic classification of intangible assets requires a separate study of their national and international aspects. It should also be noted how intangible assets are recorded: with temporary use rights (royalties) or absolute use rights (franchising). Royalties include temporary use of rights under trademarks, patents, software, as well as musical works, original recordings, and copyrights to feature films. With the exception of franchising (franchise) refers to the absolute right to use from brand names and well-known trademarks for predetermined rules and a fixed fee.

If there is no evidence that the value of intangible assets can increase the future economic benefits directly associated with the assets, these costs should be recognized as a period expense in accordance with established national and international rules.

*Approved by the Ministry of Finance of the Republic of Uzbekistan on August 20, 1998 No. 41, NSB No. 2 "Income from main economic activities", registered by the Ministry of justice on August 26, 1998 No. 483. . ABBYY Lingvo x5 electronic dictionary. Issue: 15.0.511.0 article: 983/1. © 2011 ABBYY. All rights reserved.

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