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## ISSUES OF IMPROVING ACCOUNTING AND STATEMENTS IN JOINT ACTIVITY

© Heydarov Javidan Rasul

Doctoral Student

Baku Business University

88a H. Zardabi, Baku AZ1122, Azerbaijan

javidanheydarov@gmail.com

**Abstract.** Currently, it is observed that large capital-intensive projects in various sectors of the economy, especially in the oil and gas industry, have high risks and complexity. Transnational companies also admit that they have difficulties in achieving the implementation of their current projects within the specified time and budget. Against the background of such complexity and global challenges, in order to further strengthen the investment portfolio in global markets, to diversify risks and opportunities the tendencies of merger and integration between companies are also strengthening. In this regard, joint activities, including joint ventures, operate in many areas of industry today. Joint ventures are considered as one of the optimal solutions for ensuring development and sustainable activity in the current economic conditions. Despite such a high level of tendencies in joint activities, their objectives can be different depending on the industry and various projects being implemented. Therefore, it is necessary to carry out serious analyzes and identify needs and problems in those areas in order to effectively manage joint activities and thereby reduce risks. Namely joint ventures in the oil and gas industry are one of the clear examples of the development of joint activities. Here, counterparties can get a number of advantages, such as expanding the scale of operations, operating in foreign markets, resource allocation, diversification of risks, as well as using the other party's different capabilities. In this case, the integrity and transparency of accounting and accountability in joint activity is the main issue in focus. It is important to ensure the mutual interests of the parties, to fulfill the obligations correctly, and to improve the accounting activity in order to achieve economic efficiency.

**Keywords:** joint activity, joint venture, accounting, statement, accounting method, accountability.

### For citation

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**Introduction.** It is known that the oil industry has developed in the Republic of Azerbaijan as a country rich in natural resources. Joint activity is widespread in this field as well. We believe that the analysis of the accounting and financial statements of joint ventures operating in the oil and gas industry can be more useful in determining the directions for improvement by obtaining real results.

Our research in AF and AG joint ventures in petroleum industry in Azerbaijan, which we conventionally name, makes it necessary to review the methods used in the estimation of inventory of joint ventures from the point of view of efficiency. As we know, stocks of goods and materials are goods purchased and stored to meet the

current demand for the production of products and services performed by enterprises. Therefore, constant monitoring of stock movement is of great importance in joint ventures as in other enterprises. Thus, we would not be mistaken if we say that the accurate performance of accounting of the stock of goods and materials acquired by the enterprise, taken out of the enterprise for the purpose of production or sale, serves serious purposes. As we know, the stock of goods and materials, being a type of turnover asset, has a serious impact on the financial results of the enterprise, including profit [1].

It is clear from our analysis that the "Average cost" method is unambiguously taken as the basis for the evaluation of goods and material stocks in both joint ventures. The main essence of the mentioned method is that the "average cost" of goods and material stocks is found in the enterprise. It should be emphasized that during the application of the *average cost* method, the issues of bringing in and withdrawing the existing inventories in enterprises are not taken into account. We believe that proper management of the company's stock has a direct impact on business continuity. Thus, how much stock is purchased and what amount of material is stored in the warehouse, especially their evaluation in these processes has an important impact on the correctness of the accounting. Enterprises prefer to use the *average cost* method because there is no need to apply a database that contains detailed information about the reserves obtained at different costs [2]. In other words, to calculate the cost flow, you only need to know the last calculated average cost indicator. We think that this method may not be as effective in the conditions of variation of the market prices of goods and materials, taking into account the specific field of the industry. Because the mentioned approach assumes the identity of inventory units. Researchers such as John Raymond, Nandhana Nair, and Danny Ye also take this position and point out that in reality, the prices can be quite different from each other [3]. In our opinion, the *average cost* method does not reflect the most recent cost of goods and materials owned by enterprises.

Considering all this, we can consider the FIFO method as one of the effective methods for stock assessment. The strength of the FIFO method shows itself better in the balance sheet. Thus, the residual value of the goods remaining in the warehouse of the enterprise refers to the stocks with a newly determined cost value. More precisely, we can mention the advantages of the FIFO method as follows:

1. Movement of goods and material stocks of joint ventures is carried out in a logical and reasonable manner.
2. The movement of costs corresponds to the physical flow of stocks.
3. The fact that the value of the stock of goods and materials corresponds to the current market price reduces the possibility of manipulation.
4. Reduction of losses that may occur as a result of stock wear, including spoilage
5. Provision of flexible decision-making on goods and material stocks.

Based on all the points mentioned above, we can say that it is more appropriate to use the FIFO method from the point of view of the optimal evaluation of the stock of goods and materials in joint ventures.

Research results in joint ventures reveal the importance of paying attention to the method used to recognize revenue from contracts with customers. Thus, the Resource method is applied in the recognition of income in enterprises. However, specific

procedures for the implementation of this method are not noticeable. In this regard, we believe that the model we propose below will increase efficiency:

1. Preliminary determination of the contract between the joint venture and the client;
2. Specification of obligations set in the contract for delivery of goods, including services to the customer;
3. Determining the joint transaction price;
4. Distribution of the transaction price on performance obligations determined on the basis of the selling price of each different good or service;
5. Revenue recognition when the promised goods or services are transferred to the customer when the relative performance obligation is fulfilled;

The absence of any methods or means in joint ventures for the effective application of the "Percentage of Completion" method in joint ventures is another point that draws attention. Because the method mentioned above and applied by the enterprises requires the enterprises to make reliable estimates about the physical progress of works or services, the costs incurred for it, and the total costs of various project contracts, including the final income. We believe that such a situation can act as a factor undermining the accuracy of the accounting of income and expenses. If this is the case, it is likely that there will be deviations in the information reflected in the financial statements. In our opinion, the application of "Project status report" would be more convenient and appropriate in order to further strengthen accounting transparency, accuracy, accountability, and control. Thus, the application of important project management mechanisms to the accounting and reporting of transactions, especially in joint ventures, can improve economic efficiency in general. First of all, it would be more correct to pay attention to the essence of this statement. A project status report is an important document that expresses the current progress of a project according to the pre-designed plan. We can consider this document as a systematic approach in terms of monitoring and evaluation of activities. This can also provide an estimate of the costs needed to eliminate the effects of risks that may occur within the project. The general purpose of this document coincides with the final goal of the joint activity. That is, providing regular information about the work done or the services performed to the main stakeholders involved in the project, identifying the problems and minimizing the risks in a timely manner, concluding the implementation within the agreed period, and so on can be added here. The project status statement will eliminate the need for information about the progress of the project by contributing to the further strengthening of relations in the joint venture. Based on our more rigorous analysis, it is possible to list a number of benefits of the project status report:

1. Determination of project implementation stages, work and service performance criteria;
2. Establishing a regular business relationship between the stakeholders of the project;
3. Establishing transparency in terms of the execution and completion of the performed works and services;
4. Prompt identification of deficiencies and operational risks;
5. Determining the actual status of the progress of works performed under the contract;
6. Provision of real-time accountability to the stakeholders under the contract.

Taking into account the use of the completion method in the recognition of revenues in projects on oil production in joint ventures with our research facilities, as well as construction and installation work in the oil and gas industry, in order to calculate the use of resources in these projects and to ascertain the stage at which the work is done, the monthly status statement and specification of resource status statement, which we mentioned, can be considered as the optimal method. But how should the project status statement be drawn up and what important elements should it include in order to more efficiently determine the completion phase of the works performed under the contract? We believe that for this, several important components should be included in the statement.

- project name and staff composition;
- the range of the project, i.e., the scope;
- periodicity of project status;
- project budget, quality indicators;
- assumed problems and risks.

In our opinion, such an approach can ultimately optimize the accounting of income and expenses in joint ventures. We believe that the honest selection of income and expense recognition criteria will contribute to the improvement of financial results. At the same time, we should note that such statements can be prepared weekly for internal and external stakeholders of joint ventures, and monthly for directors and accountants specifically. In this case, the use of electronic resources, especially the Microsoft Project program, can increase the quality of work.

In order to ensure the flexibility and transparency of accounting in joint ventures, facilitate the control of transactions, and increase the accessibility of information, project status statements can be considered an optimal option.

At the same time, in the Resource method of revenue recognition with customers, the fulfillment of the obligation is assumed when control of the goods or services is transferred to the customer. We must note that it may not be appropriate to refer to this method in all types of projects. That is, service contracts of some kind can be executed that it is not possible to determine the cost incurred in relation to the total costs. As a result, we consider it important to keep in mind the characteristic features of the projects. At this time, we consider it acceptable to use the Output method. The Output method involves the recognition of revenues in relation to the remaining goods or services promised under the contract based on a direct assessment of the value of the goods or services delivered to the customer to the current date [4]. We can evaluate the goods, works and services that have been completed, i.e., already provided to the customer, as "output". The monitoring of the outputs of the work carried out to date, as well as the evaluation of the outputs obtained, the completed stages, the produced products and the services provided, belong to the Output method. Joint ventures should keep one issue in mind when determining whether to use the Output method to determine the performance status of an obligation. Thus, the issue of realistic reflection of the activity related to the honest performance of obligations depends on the selected outputs.

We believe that the correctness of the choice of accounting methodology, as well as accurate conduct, directly affects the quality of financial statements. The importance of statements increases when we consider that joint activities are also based on mutual interests. So, the statements are considered a reliable source of information for its

users. Even KPMG, a global organization, from its special publication "Illustrative Disclosures, Guide to Annual Financial Statements" notes that financial statements are not only technical compliance but also an effective communication tool [5]. Approaching from this perspective, we think that the following relevant suggestions are effective for delivering financial statements to users in a more readable, i.e., clear style:

1. Eliminating duplication and using cross-references to link different parts of financial statements.
2. Using summaries or specific summaries to highlight key information.
3. Using tables, charts and graphs to express information more effectively.
4. Using different symbols to highlight specific information in the notes (for example, for accounting policies, assumptions, key estimates and judgments).
5. Explaining in a relatively less technical language and especially not presenting in a foreign (English) language.
6. When submitting financial statements electronically, use hyperlinks to connect different parts.
7. To add a glossary of terms used in financial statements.

In addition to the design of the statement, the processes of its preparation also affect the quality of the statement. For this, we suggest focusing on 2 important processes. The first of these is to annually reassess the adequacy of the information presented in the statement, as well as to assess the relevance of new transactions and information and remove information that is less important for the current period. The second is to align the highlights of management's recommendations and opinions with the presentation of relevant notes and information in the financial statements. Thereby, the levels of priority given to various information in both annual statements and interim financial statements of joint ventures should be reconsidered.

Conclusion. It should be taken into account that joint activities, including joint ventures, create ample opportunities for the diversification of the economy and trade, increasing competitiveness, reducing losses by sharing risks, and exchanging knowledge and technology in conditions of increasing uncertainty of risks. Because mutual interests are greater here and most of them are implemented on an international scale, it is of greater importance to perform accounting and reporting with high accuracy in the joint activity system, that is, in joint ventures and joint operations. Keeping these points in mind, the correct determination of accounting methods, approaches, and principles, that is, the determination of the accounting policy in accordance with the business model of the enterprise, the operations, including the characteristics of the implemented projects, directly affects the efficiency and financial results. At the same time, the preparation of the structural composition of financial statements based on the principles of completeness, transparency and materiality plays a decisive role in the expectations, analysis and evaluations of the parties in the joint activity. Not only the content of the statements but also the processes and procedures of their preparation can be considered as one of the important points affecting the quality of financial statements.

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### ВОПРОСЫ СОВЕРШЕНСТВОВАНИЯ БУХГАЛТЕРСКОГО УЧЕТА И ОТЧЕТНОСТИ В РАМКАХ СОВМЕСТНОЙ ДЕЯТЕЛЬНОСТИ

Гейдаров Джавидан Расул оглы  
докторант,  
Бакинский университет бизнеса  
Азербайджан, AZ1122, г. Баку, ул. Г. Зардаби, 88а  
javidanheydarov@gmail.com

*Аннотация.* В настоящее время отмечается, что крупные капиталоемкие проекты в различных секторах экономики, особенно в нефтегазовой отрасли, имеют высокие риски и сложность. Транснациональные компании также признают, что у них возникают трудности с достижением реализации своих текущих проектов в установленные сроки и в отношении бюджета. На фоне такой сложности и глобальных вызовов в целях дальнейшего укрепления инвестиционного портфолио на глобальных рынках, диверсификации рисков и возможностей также усиливаются тенденции слияния и интеграции между компаниями. В связи с этим совместная деятельность, в том числе совместные предприятия, сегодня реализуется во многих сферах промышленности, поскольку совместные предприятия рассматриваются как одно из оптимальных решений для обеспечения развития и устойчивой деятельности в современных экономических условиях. Несмотря на столь высокий уровень тенденций к совместной деятельности, цели ее создания могут быть разными в зависимости от отрасли и различных реализуемых проектов. Поэтому необходимо провести серьезный анализ и выявить потребности и проблемы в этих областях, чтобы эффективно управлять совместной деятельностью и тем самым снизить риски. Именно совместные предприятия в нефтегазовой отрасли являются одним из ярких примеров развития совместной деятельности. Здесь контрагенты могут получить ряд преимуществ, таких как расширение масштабов операций, работа на зарубежных рынках, распределение ресурсов, диверсификация рисков, а также использование различных возможностей другой стороны. В этом случае целостность и прозрачность бухгалтерского учета и подотчетности в совместной деятельности являются основным вопросом, находящимся в центре внимания. Важно обеспечить взаимные интересы сторон, правильно выполнять обязательства и совершенствовать бухгалтерскую деятельность для достижения экономической эффективности.

*Ключевые слова:* совместная деятельность, совместное предприятие, бухгалтерский учет, отчет, метод бухгалтерского учета, подотчетность.

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