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## **FISCAL POLICY AS THE BASIS OF A COUNTRY'S FINANCIAL STABILITY**

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### **Annotation**

This article examines the cash accounting system in enterprises and the need to improve it in accordance with modern requirements and International Financial Reporting Standards (IFRS). Special attention is given to the accurate presentation of cash flows and the clear separation of operating, investing, and financing activities. The article also analyzes existing issues in national accounting practices and proposes solutions based on international approaches. The study provides practical recommendations for enhancing cash accounting transparency, strengthening financial control, and creating a reliable information base for investors.

**Keywords:** cash accounting, International Financial Reporting Standards (IFRS), cash flow statement, financial transparency, operating activities, investing activities, financing activities, accounting, enterprise financial stability, reporting system improvement.

### **Аннотация**

В данной статье рассматривается система учёта денежных средств на предприятиях, необходимость её усовершенствования в соответствии с современными требованиями и Международными стандартами финансовой отчетности (МСФО). Особое внимание уделено правильному отражению движения денежных средств, выделению потоков по операционной, инвестиционной и финансовой деятельности. Также анализируются существующие проблемы национальной практики бухгалтерского учёта и предлагаются пути их решения на основе международных подходов. В



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исследовании даны практические рекомендации по повышению прозрачности учёта денежных средств, усилению финансового контроля и формированию достоверной информационной базы для инвесторов.

**Ключевые слова:** учёт денежных средств, Международные стандарты финансовой отчетности (МСФО), отчёт о движении денежных средств, финансовая прозрачность, операционная деятельность, инвестиционная деятельность, финансовая деятельность, бухгалтерский учёт, финансовая устойчивость предприятия,

### Introduction

In the modern global economic environment, the demand for transparent, reliable, and comparable financial accounting and reporting of enterprises' financial activities is steadily increasing. International Financial Reporting Standards (IFRS) have been adopted as the primary norms for financial reporting in many countries around the world. These standards are aimed at ensuring a complete and accurate reflection of the financial position of enterprises. Among these, cash accounting plays a crucial role in assessing a company's financial capacity, liquidity, and ability to manage cash flows. "The amount of cash flows arising from an entity's operating activities represents a key indicator of the organization's ability to repay debts, maintain production capacity, pay dividends, and make new investments from its own resources. Information about certain components of past cash flows from operating activities, when used in conjunction with other information, can be useful in forecasting future cash flows from operating activities.

Cash flows from operating activities originate from the entity's core business operations. These cash flows may include: ➤ cash receipts from the sale of goods (works and services);

- cash inflows from royalties, fees, commissions, and other charges;
- payments made to suppliers;
- payments made to employees and on behalf of employees;



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- payments or refunds of cash related to taxes applicable to operating activities;
- cash receipts and payments arising from contracts held for trading purposes.

Cash flows from the sale of property, plant, and equipment are considered part of investing activities. However, payments made to acquire or produce assets for rental or resale purposes are classified as operating cash flows. Likewise, cash inflows from renting out or selling such assets are also considered as operating cash flows. Cash flows arising from the purchase of securities held for resale purposes are classified under operating activities. Similarly, loans issued by financial institutions are typically considered operating cash flows, as lending is part of their core income-generating activities." [1]

Improving the accounting of cash flows in enterprises based on international standards is essential not only for enhancing the quality of financial reporting but also for improving the efficiency of corporate governance, increasing the trust of investors and other stakeholders, and ensuring competitiveness in the global market. Accounting in accordance with international standards enables enterprises to effectively manage financial risks, utilize resources optimally, and make sound strategic decisions. This process not only improves the quality of financial reporting but also enhances the overall efficiency of enterprise management, strengthens the trust of investors and other interested parties, and plays a vital role in ensuring global competitiveness. International Financial Reporting Standards (IFRS) are a set of globally recognized guidelines used in the preparation and presentation of financial statements. These standards aim to ensure transparency, comparability, and reliability of financial information. Within the IFRS framework, cash flow accounting deserves special attention, as it reflects the enterprise's liquidity, financial stability, and ability to manage cash flows effectively.

### Literature Review

Improving the accounting of cash assets in enterprises in accordance with international standards is of significant importance today. In this regard, several Uzbek scholars have conducted scientific research that thoroughly explores both the theoretical and practical aspects of this issue. Below is an analysis of key literature relevant to the topic:



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1. Isroilov S.S. “International Standards of Accounting” (Tashkent, 2020)  
This monograph provides a detailed overview of the principles of accounting in accordance with international standards, particularly focusing on the organization of cash flow accounting. The author explains the mechanisms of accurately reflecting financial operations in line with IAS 7 – “Statement of Cash Flows”. In addition, the study analyzes differences in current accounting practices in Uzbekistan and offers recommendations for aligning them with international criteria.
2. Yo‘ldoshev M.Q. “Accounting and Analysis of Cash Flows” // “Financial Reporting” journal, 2021, This article emphasizes the role of accounting policies in accurately reflecting cash flow and the importance of distinguishing between cash and non-cash transactions. The author analyzes methods based on international standards using practical examples and discusses both the opportunities and challenges of applying these methods in Uzbek enterprises. The article also provides recommendations for using analytical indicators to effectively manage cash flows.
3. Olimova N.X. “International Accounting and Its Integration into the National System” // “Economy and Innovative Technologies” scientific journal, 2022, This article highlights the urgent problems of adapting international accounting standards to the national system, with a specific focus on cash flow accounting. Olimova pays special attention to ensuring transparency in financial reporting and creating reliable information sources for investors. She also outlines several directions for improving the national accounting system based on international standards.
4. Xolmurodov B.B. “International Financial Reporting Standards and Issues of Implementation” // “Accounting and Audit” journal, 2023, This article covers the legal and methodological issues of applying international standards in national practice. The author conducts a thorough analysis of practical aspects such as classification of cash flows, their breakdown by activity types (operating, investing, financing), and provides recommendations for using automated accounting software in accordance with international reporting requirements.

## **ANALYSIS AND RESULTS**

In the effective utilization of financial resources by business entities, proper planning and management of cash flows play a crucial role.



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Cash flows represent the movement of all the funds spent and received by an entrepreneurial entity over the course of a year. The concept of “cash flows” of an entity reflects the aggregate distribution of inflows and outflows of cash during the continuity of its operations. The concept of cash flows in entities as a specific object of financial management is not sufficiently reflected in both local and foreign literature on financial management. The main components of cash flows include cash asset management, management of financial resource formation, and crisis management of entities in conditions of bankruptcy risk. This also includes financial reporting and accounting types that describe the dynamics of cash movements.

Planning and managing cash flows correctly is a relatively complex task that has only recently started being applied in practice. Additionally, one of the forms of financial reporting is also the “statement of cash flows.”

The efficient use of cash flows by business entities helps to address the following tasks:

- It acts as the “financial circulatory system” of an enterprise, and when organized effectively, ensures financial stability;
- Rational formation of cash flows ensures the smooth and continuous operation of economic activities;
- Effective management of cash flows reduces the need for borrowed capital, i.e., externally attracted funds;
- Having an active system of cash flow management ensures the efficient use of internal funds and the formation of internal financial sources;
- Proper management of cash flows serves as a financial tool that accelerates the turnover of business capital;
- Efficient use of cash flows increases the solvency of the entrepreneurial entity and helps achieve the targeted profit levels;
- Possessing effective forms of cash flow management enables additional profit, direct positive results from cash assets, and efficient use of temporarily idle cash resources.[2]

Of course, I will further elaborate on the topic of improving cash accounting in enterprises based on international standards in more depth and detail. This process

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is important not only for improving the quality of financial reporting but also for enhancing overall management efficiency, increasing trust among investors and other stakeholders, and ensuring competitiveness in the global market.

International Financial Reporting Standards (IFRS) are a set of general rules used worldwide for preparing and presenting financial reports of enterprises. These standards aim to ensure the transparency, comparability, and reliability of financial information. Cash flow accounting is particularly noteworthy within the IFRS framework, as it reflects a company's liquidity, financial stability, and ability to manage cash flows.[3]

The table below outlines the main shortcomings encountered in cash accounting in enterprises according to international standards and their effective solutions:

Shortcoming	Description	Solution
<b>Incorrect classification of cash flows</b>	According to IAS 7, operational, investing, and financing cash flows may not be properly separated.	Develop internal policies for accurate classification of cash flows and implement automated systems.
<b>Delayed and inaccurate reporting</b> <b>Cash-related risks</b>	Delays and errors in financial data can lead to incorrect decision-making.	Use modern ERP systems (SAP, 1C, Oracle Financials) and maintain real-time reporting.
<b>Losses due to exchange rate fluctuations</b>	Financial losses may arise due to exchange rate differences during currency exchange operations.	Apply hedging strategies and continuously monitor exchange rate changes in international financial markets.
<b>Liquidity problems of cash assets</b>	Lack of sufficient liquidity for short-term payments can cause financial difficulties.	Implement a cash flow forecasting system and form reserve funds.
<b>Lack of transparency in financial data</b>	The enterprise may not provide sufficiently transparent reports for internal and external auditors.	Introduce internal and external audit systems compliant with International Standards on Auditing (ISA).
<b>Tax risks related to cash funds</b>	Practices inconsistent with international tax regulations may lead to financial penalties.	Develop tax planning strategies and conduct regular monitoring to ensure compliance with tax legislation.
<b>Cash-related risks</b>	Fraud, accounting errors, or shortages may occur in cash transactions.	Strengthen internal control systems, automate transactions, and minimize cash operations.



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**Implementing these solutions will increase the financial stability of enterprises and ensure their alignment with international standards.**

The following table presents the implementation of cash accounting in enterprises according to international standards (IFRS and IAS 7) and the codes according to the International Financial Reporting Standards Chart of Accounts (IFRS Chart of Accounts).

Cash Type	Operation Content	Accounting Procedure (according to IFRS)	International Accounting Chart of Accounts (IFRS Chart of Accounts)	Remarks
<b>Cash</b>	Cash inflows and outflows	Recorded through cash and bank accounts	1000 – Cash on Hand, 1010 – Cash in Bank	Main accounts for cash transactions
<b>Cash Equivalents</b>	Short-term deposits, securities	Assets that can be converted into cash within 3 months	1100 – Short-Term Investments	If the maturity exceeds 3 months, recorded as investment assets
<b>Cash Flows from Operating Activities</b>	Funds received from sales, service income	Revenue from main business activities	4000 – Revenue, 4010 – Accounts Receivable	Can be reflected directly or indirectly according to IAS 7
<b>Cash Outflows from Operating Activities</b>	Salaries, taxes, rent, other operating expenses	Recorded as operating expenses	5000 – Salaries and Wages, 5100 – Rent Expense, 5200 – Taxes Payable	All payments must be substantiated with documents
<b>Cash Flows from Investing Activities</b>	Sale of fixed assets, dividend income	Cash flows related to investment activities	1500 – Fixed Assets Sales, 1600 – Dividend Income	Recorded for operations involving long-term assets
<b>Cash Outflows from Investing Activities</b>	Purchase of equipment, machinery, and other assets	Recorded as investment expenses	1700 – Capital Expenditures, 1800 – Equipment Purchase	Expenses must be capitalized
<b>Cash Flows from Financing Activities</b>	Borrowing funds, raising capital from investors	Cash received from financing sources	2000 – Bank Loans, 2100 – Issued Equity	Bank loans, bonds, and issuing shares
<b>Cash Outflows from Financing Activities</b>	Loan repayment, dividend payments	Funds used to meet obligations	2200 – Loan Repayment, 2300 – Dividend Payments	Includes payment of interest and debt repayment



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Net Cash Flow	Total receipts - total payments	Closing cash balance at the end of the reporting period	2500 – Retained Earnings	Positive or negative balance identified
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This table shows how the management of cash flow in a company aligns with international standards and how it is linked to accounting chart accounts.

### Conclusion and Recommendations

Managing cash flow in companies in accordance with international standards (IAS 7 – "Statement of Cash Flows") is of significant importance in enhancing financial transparency and ensuring business stability. These international standards allow companies to analyze their cash flows by separating them into operating, investing, and financing activities. Proper accounting for cash flow and presenting improved reports is not only crucial for internal management but also plays a key role in providing reliable and accurate financial information for external investors and creditors.

Furthermore, in order to manage financial reporting according to international standards, companies should take the following actions:

- 1. Accurate management of cash and cash equivalents** — ensuring correct accounting and monitoring of cash flows, short-term deposits, securities, and other assets.
- 2. Utilizing modern accounting software** — companies must record all cash flows and transactions through automated systems, ensuring financial data transparency.
- 3. Recording transactions based on the IFRS Chart of Accounts** — this helps present a true and complete picture of the company's financial situation while aligning with international standards.
- 4. Strengthening internal control and audit systems to reduce risks** — this is necessary for monitoring internal processes and transactions, preventing fraud and financial errors.

By adhering to international standards, companies will be able to accurately assess their financial position, provide reliable reports for investors and creditors, and effectively manage their business. This, in turn, will help ensure long-term financial





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stability. Therefore, accounting in accordance with IFRS requirements is an essential condition for all companies.

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