

Prof. Sultonali Mehmonov

Tashkent Institute of Finance

PhD, Associate prof. Corina Gribincea

Free International University of Moldova

PhD Sherzod Khalilov

Tashkent Institute of Finance

ACCOUNTING FOR PROCESSES RELATED TO RENEWABLE ENERGY RESOURCES IN ACCORDANCE WITH IFRS

Abstract. The use of renewable energy sources is developing more and more around the world these days. One of the main reasons for this is that declining fossil fuel resources and pollution from burning gas, oil, and coal have a significant impact on climate change. Many foreign investments are being attracted to increase the profitability of renewable resources. As a result, in order to provide transparent information for foreign investors electricity supply companies are required to maintain accounting and reporting in accordance with the requirements of IFRS standards. This article examines the organization of the purchase and sale of renewable energy in accordance with IFRS standards, defining the rights and obligations in contracts on the basis of international concepts, combining and modifying contracts, differentiating work and services in them, and determining individual selling prices. The results of the study show that the requirements of IFRS 16 (Leasing) of contracts related to the purchase of renewable energy in power supply companies, IFRS 15 for measuring the rights and obligations under contracts in the recognition of revenue provide an appropriate basis. The application of these criteria ensures that the terms of the contract are constantly monitored.

Keywords: energy, leasing, cost, revenue, contract identification, individual sell price

Introduction

The use of renewable energy sources is growing in the world. This is because declining fossil fuel resources and pollution from burning gas, oil and coal have a significant impact on climate change. The profitability of renewable resources is improving day by day, and a lot of foreign investment is being attracted to increase energy efficiency. As a result, in order to provide transparent information for foreign investors, electricity supply companies are required to maintain accounting and reporting in accordance with the requirements of IFRS standards.

Literature review

Accounting for revenue from contracts entered into. The main goal of any business entity is to obtain high profits in a market economy. Achieving this result will depend on a number of economic processes. Their core is the recognition of revenue and expenses. Revenue is considered the most important indicator of financial results. T. Sutton believes that revenue is an increase in the composition of net resources resulting from its operating activities, a decrease in costs [1]. M. Dobrel argues that revenue is a decisive number in a financial statement that can be used for accounting manipulation [2]. D. Henry and A. David argues that revenue is an asset

that is generated when goods or services are transferred to a customer [3].

Analysis and results

Contracts related to the purchase of renewable energy at power supply companies are accounted for in accordance with IFRS 16 Leasing, IFRS 37 Reserves, Contingent Liabilities and Contingent Assets, and IFRS 9 Financial Instruments. In international practice, contracts for the purchase of renewable energy at power supply companies meet the requirements of the following criteria, it is recommended to take into account these contracts in accordance with IFRS 16 "Leasing":

- Are there identifiable assets in renewable energy purchase agreements?
- Is the producer entitled to almost all economic benefits during the term of contracts for the purchase of renewable energy sources?
- Does the recipient have the right to control the intended use of the identified producer asset during the term of the contract?

The first criterion mentioned above requires that energy contracts be accounted for as finance leases only if an identified asset is available. In accordance with the requirements of IFRS 16, an identified asset may be directly or indirectly identified in the contract. The second criterion requires the customer to be entitled to all economic benefits from the use of the identified asset over its entire useful life in order to control the use of the identified asset.

This is usually a criterion that requires a lot of management consideration for evaluation, and often requires participation not only from the financial side, but also from the operational side. The customer has the right to manage the use of the identified asset during the period of use in the following cases:

- the customer has the right to manage the use of the asset during the period of use.
- preliminary determination of the intended use of the asset.

Relevant decisions on the intended use of the asset should be pre-determined by the right to manage the asset or the right to direct other persons to manage the asset as indicated during the life of the asset or to determine in advance the purpose for which the asset will be used. If contracts for the purchase of renewable energy sources do not meet the above three criteria, they should be considered in accordance with IFRS 37 Reserves, Contingent Liabilities and Contingent Assets or IFRS 9 Financial Instruments.

One of the main conditions for the effective management of electricity supply organizations is the correct organization of the calculation of operating costs. This is because operating costs are a key driver in determining energy costs, controlling material, technical, labor and financial resources, and increasing profitability. The main objectives of accounting for operating costs in electricity supply organizations are:

- a) timely and complete reflection of all costs that allow to estimate the cost of energy;
- b) ensuring control over energy supply;

c) data generation to control the rational use of funding sources.

IFRS 15 divides the costs associated with the supply of energy under a contract with the customer into two categories: costs incurred in generating energy and costs incurred in the transmission of electricity. When accounting for the above costs in accounting, it is necessary to determine, first of all, that these costs do not fall within the scope of IFRS 2 "Inventories", IFRS 16 "Property, plant and equipment" and IFRS 38 "Intangible Assets". If the costs incurred in performing the contract are not recognized in accordance with the above standards and these costs meet the following criteria, IFRS 15 recognizes these costs as an asset as a result of capitalization of the costs associated with the contract:

- a) the costs relate to a direct contract or a clearly defined contract;
- b) costs create or increase the resources of the enterprise in the future to meet the obligation;
- c) costs are expected to be reimbursed (by the customer).

We propose to use the following model in recognizing the result of capitalization of costs incurred in the supply of energy resources as an asset on the basis of the criteria specified in article 95 of IFRS 15 (Figure 1).

The cost of energy resources under a contract (or offer) with a customer of electricity companies includes the following costs in accordance with article of 97 IFRS 15 Revenue from Contracts with Customers:

- a) direct material costs;
- b) direct labor costs;
- c) indirect costs associated with the contract or contract activities;
- g) costs clearly covered by the customer;
- d) other costs incurred in the performance of the contract (subcontract costs).