

## **Prospects of Organizing Rental Operations in Non-Government Educational Organizations on the Basis of International Standards of Financial Reporting**

**A. N. Abdullaev**<sup>1</sup>

### ***Abstract***

*In this article, prospects of organizing rental operations in non-government educational organizations on the basis of international standards of financial reporting finished.*

**Keywords:** *Lease relations, HOCK Training, Law No. LRU-701, Proper.*

---

<sup>1</sup>Associate Professor of the "Accounting" Department of the Tashkent Financial Institute

Organization of lease relations is one of the important objects of accounting of non-governmental educational organizations. Most non-governmental educational organizations do not reflect their leased assets on the organization's balance sheet. Due to the fact that the lease relationship for these properties includes more operational lease elements, these lease agreements are mainly recognized as properties under the right of use, and the rental costs for them are shown only in the form of financial results reports. However, international financial reporting standard No. 16 "Lease" puts forward rules for reflecting all leased assets on the balance sheet of the organization.

E. G. Vakaryuk, an expert on international standards of financial reporting of HOCK Training Company, said that "According to the International Standards Council of Financial Reporting, more than 85 percent of companies do not reflect obligations under lease relationships in their balance sheets." This, in turn, leads to a lack of accurate and necessary information for users of financial reporting information to obtain complete information about the organization and plan investment programs.

In our country, special attention is paid to the reforms aimed at the complete modernization of the higher education system and the introduction of advanced educational technologies in order to train highly qualified personnel with high moral and ethical qualities and independent thinking, to provide their needs for modern education with qualitatively new higher education services. . For this purpose, special attention was paid to the development of public-private partnership in the field of higher education, the creation of a competitive environment in higher education by organizing the activities of state and non-state higher education institutions in the regions, as well as attracting investments, as well as branches of prestigious foreign higher education institutions. As a result of these activities, it is planned to increase the coverage level of higher education in our country by more than 50 percent and create a competitive environment in the field.

Therefore, it was recognized as one of the main issues on the agenda to open branches of prestigious foreign higher education institutions in the field. In this process, prestigious foreign higher education organizations are not entering the market of Uzbekistan. When developing their educational programs and investment programs in this field, they are required to study and analyze the conditions created for this field in our country, current legal requirements and a number of other factors. In this case, it is natural to study the financial indicators of higher education institutions in our country.

Here, as a foreign investor, we will analyze the regulatory and legal documents and financial reporting indicators of the higher education system in force in our country.

Engaging in non-state educational activities in the territory of the Republic of Uzbekistan is included in the types of activities that are carried out on the basis of a license based on the Law of the Republic of Uzbekistan dated July 14, 2021 "On Licensing, Permitting and Notification Procedures" No. LRU-701. "The State Inspectorate for Quality Control of Education under the Cabinet of Ministers of the Republic of Uzbekistan is registered as the competent body in the field of licensing" of this type of activity.

In accordance with the Law of the Republic of Uzbekistan "On Licensing, Permitting and Notification Procedures" and the Decree of the President of the Republic of Uzbekistan "On Measures to Fundamentally Improve Licensing and Permitting Procedures" dated August 24, 2020 No. PD-6044, as well as In order to reduce the number of normative legal documents by

systematizing legislative documents in the field of licensing and to determine a single procedure for passing through licensing procedures using information systems, the Cabinet of Ministers of the Republic of Uzbekistan on February 21, 2022 "On approval of the single regulation on the procedure for licensing certain types of activities through a special electronic system" Resolution No. 80 was adopted, and in accordance with the "Uniform Regulation on Licensing of Certain Activities through a Special Electronic System" approved by this Decision b and conditions are specified. In particular, the material and technical base of legal entities providing non-state higher education services, the scientific potential of pedagogic personnel, the number of states and other criteria were developed in the section of higher education directions (Table 1).

**Table 1 The size of the area allocated for each student in the territory of the non-state higher education organization (in the cross-section of educational fields)**

<b>№</b>	<b>The direction of higher education</b>	<b>Field size</b>
1	Technology and engineering	11,2 — 19,4 m <sup>2</sup>
2	Pedagogy	8,7 — 14,5 m <sup>2</sup>
3	Pharmaceuticals	11,2 — 19,4 m <sup>2</sup>
4	Economy	7,9 — 13,1 m <sup>2</sup>
5	Medicine	12,3 — 22,0 m <sup>2</sup>
6	Agriculture	11,2 — 19,4 m <sup>2</sup>
7	Zooveterinary	11,4 — 20,5 m <sup>2</sup>
8	Culture	15,0 — 26,0 m <sup>2</sup>
9	Art and architecture	20,0 — 33,8 m <sup>2</sup>
10	In other directions	8,7 — 14,5 m <sup>2</sup>

According to the information in the table, a non-governmental educational organization engaged in higher education should have a certain area for each student in the area where the educational institution is located, based on the number of students. However, there are no clear explanations about the application of these standards to correspondence, evening and distance forms of education. There are also some non-governmental higher education organizations that simultaneously educate students in economic, medical, and technical fields. These factors should also be taken into account when determining the amount of space required for a higher education institution based on the number of students. In the future, in order to improve the regulatory legal documents, it will be necessary to take into account the above factors, and if necessary, to determine the procedures for accepting these requirements of the Regulation as a basis for determining the admission quotas of the higher education organization.

**Table 2 The minimum size of rooms and space allocated to each student or staff in a higher education institution**

<b>№</b>	<b>Content</b>	<b>Area size m<sup>2</sup></b>
<b>1</b>	<b>For administration:</b>	
1.1	Rooms designed for departments serving to implement all administrative and management processes in the rectorate	One room per department
<b>2</b>	<b>For lessons:</b>	
2.1	Educational auditoriums	2,2
2.2	Computer room (classroom)	4

2.3	Foreign language room	2,4
2.4	General theoretical and general education laboratory rooms	4
2.5	Technical and special laboratories	6
2.6	Sound halls separated into separate cabins	3
2.7	Educational auditoriums equipped with educational and technical means	2,4
2.8	Halls for the completion of course project and qualification graduation work	3,6
2.7	Library	0,6
2.8	Sports hall (according to the number of students)	12,0x24,0 m; 18,0x36,0 m;
<b>3</b>	<b>For additional service:</b>	
3.1	Hall of activists	
3.2	Kitchen (buffet)	
3.3	Medical room	
3.4	Accommodation for learners (for 5 or 10 learners depending on the region)	1 place (place)

Therefore, in order to provide non-state educational services in the higher education system, the higher education organization must have buildings and structures on its balance sheet (or on the basis of lease rights), and establish labor relations with teachers and employees based on an employment contract. Special attention should also be paid to the fact that there should be pedagogues-employees with scientific potential meeting the requirements of the Regulation. Labor relations with teachers-employees are regulated by the Labor Code of the Republic of Uzbekistan and other legal documents related to the field. But since most of the main tools that make up the material and technical base of the non-state higher education organization are based on lease relationships, the non-state higher education organizations do not have the opportunity to reflect these material assets in their accounting balance sheets. In our opinion, this is also influenced by the norms prohibiting the inclusion of leased property in the balance sheet of the organization. As a result, the opportunity to form the necessary information is missed for prestigious foreign higher education organizations, users of financial indicators of non-governmental higher education organizations, as well as investors who plan to invest in the education system and thereby earn income.

For reference, based on the indicators of financial activity of one of the non-state universities in the city of Tashkent, the number of students and the data of the state table, approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 80 of February 21, 2022 "On the approval of the unified regulation on the procedure for licensing certain types of activities through a special electronic system" Through a special electronic system, we will try to analyze the information on the rent of buildings and structures, which are required to fulfill the requirements of the single regulation on the licensing procedure of certain types of activities.

The number of students as of April 1, 2022 according to the fields and form of university education is presented in Table 3.

**Table 3.2.3. As of April 1, 2022, the number of students studying at the university, (in the section of educational fields)**

<b>№</b>	<b>Educational directions</b>	<b>Number of students, person</b>
1	Management of education and training processes	50
2	Information Technology (English language groups)	23
3	Information technologies (Russian language groups)	112
4	Business Administration (English Language Groups)	25
5	Business management (Russian language groups)	159
6	International general education program	90
<b>TOTAL</b>		<b>459</b>

As can be seen from the table, this non-governmental educational organization simultaneously provides education to students in the areas of economic, technical and pedagogical education. But taking into account that the majority of students are studying in the direction of economic education, we use the minimum indicators specified for the direction of economic education when calculating the minimum requirement for the territory of a non-state higher education organization. Each student needs a minimum area of 7.9 m<sup>2</sup> for economic education. Considering that the total number of students is 459, the area of this higher education organization should not be less than 3626 m<sup>2</sup> (7.9x459).

Also, based on current regulations, the calculation of the minimum number of auditoriums and the amount of space required for classes based on the educational directions of this non-state higher education organization and the number of students studying in them is presented in Table 4.

**Table 4 The minimum amount of space for classes**

<b>№</b>	<b>Content</b>	<b>Minimum requirement (m<sup>2</sup> per student)</b>	<b>Number of students</b>	<b>Required field</b>
1	Educational auditoriums	2,2	459	1009,8
2	Computer room (classroom)	4	459	1836
3	Foreign language room	2,4	459	1101,6
4	General theoretical and general education laboratory rooms	4	459	1836
5	Technical and special laboratories	6	459	2754
6	Sound halls separated into separate cabins	3	459	1377
7	Educational auditoriums equipped with educational and technical means	2,4	459	1101,6
8	Halls for the completion of course project and qualification graduation work	6	459	2754
9	Library	0,6	459	275,4
10	Sports hall (according to the number of students)	12,0x24,0 m; 18,0x36,0 m;	459	288
<b>TOTAL</b>				<b>14333,4</b>

Therefore, for this higher education organization, according to the existing student contingent, it should have an area of at least 3,626 m<sup>2</sup> and a building of 14,333.4 m<sup>2</sup>. In addition, according to undergraduate students, a separate room, an activist hall, a kitchen (buffet) and a medical room will be needed for each of the departments serving to implement all administrative and management processes in the rectorate.

But this higher education organization cannot reflect the building and the area there in its balance sheet. Because the current regulatory legal documents limit the possibility of reflecting the fixed assets used on the basis of operating lease in the balance sheet of the organization. In particular, based on accounting standard No. 6 entitled "Lease accounting", lease relationships are divided into the following:

- a) financial lease (including leasing);
- b) Operating lease.

A financial lease is "a lease relationship arising from the granting of the right to own and use property (an object of financial lease) for a period of more than twelve months under the contract." In this case, the financial lease agreement must meet one of the following conditions (Figure 1).

**\*Must meet one of the conditions in the financial lease agreement**

- if the term of the financial lease agreement is more than 80 percent of the service period of the financial lease object, then the asset value of the financial lease object after the conclusion of the financial lease agreement is less than 20 percent of its initial value;
- the discounted current value of the lease payments for the period of the financial lease agreement is more than 90% of the current value at the time of the financial lease object;
- after the end of the term of the financial lease contract, the object of the financial lease becomes the property of the lessee;
- at the end of the term of the financial lease, the lessee will purchase the object of the financial lease at a price much lower than the market value on the day of the sale of the lease;

**Figure 1. Conditions for recognition as a financial lease Therefore, it can be recognized as a financial lease only if the leased object meets one of the above requirements.**

A lease also includes an operating lease. This form of lease agreement is manifested in the temporary use or provision of property. That is, fixed assets used on the basis of this form of lease agreement are not reflected in the accounting balance of the organization. Actual expenses for rent payments are only shown as current period expenses in the lessee's statement of financial results.

In addition, the Tax Code of the Republic of Uzbekistan stipulates that "the lease relationship that occurs during the ownership and use of property (object of financial lease) for a period of more than twelve months is recognized as a financial lease and the lease agreement must meet one of the above 4 requirements".

Accounting transfers for fixed assets leased by a non-governmental educational organization are approved by the decision of the Minister of Finance of the Republic of Uzbekistan dated May 11, 2009 "On approval of the regulation on the procedure for reflecting rental transactions in accounting" No. 54 "On the procedure for reflecting rental transactions in accounting" It is

reflected according to the regulations.

The international standard of financial reporting No. 16 "Lease" provides an opportunity to reflect all leased fixed assets in the organization's balance sheet. In particular, according to the requirements of this international standard, the property leased by the lessee is recognized as "an asset and a liability with the right to use". That is, accounting operations related to the lease of fixed assets by the lessee are reflected as follows:

Dt Fixed assets (asset with right of use);

Kt Liabilities (obligations on the right-of-use asset).

When entering the right-of-use asset into the organization's balance sheet, it is necessary to determine its value. The international financial reporting standard No. 16 "Lease" requires accounting of the right-of-use asset at the current value of the obligations that have not yet been paid. That is, it is necessary to determine the current amount of the value of the asset with the right of use, which will be returned after  $n$  years, and take it into account at this value. A discount rate is used to determine the present value. The discount rate should be the interest rate stipulated in the lease agreement. This can be determined by the following formula:

$$FV_n = PV (1 + r)^n, (1)$$

Here:

$FV_n$  is the value of the right-of-use asset after  $n$  years (Future Value);

$PV$  is the current value of the right-to-use asset (Present Value);

$r$  — annual interest rate;

$n$  is the discounting year.

The current value of the asset in this formula:

$$PV = FV / (1 + r)^n (2)$$

Determined using the formula.

Reflecting the accounting transactions related to the rent payment of buildings and structures operated by non-state educational organizations based on the requirements of the international standard of financial reporting No. 16 "Rent" allows to further increase the reliability of their financial reporting indicators and to obtain more complete and accurate information for the users of the information. For this, of course, it is necessary to ensure that lease relations are reflected in accounting based on the requirements of this international standard. In our opinion, in order to apply the requirements of this international standard to legal entities providing non-state educational services, it is necessary to implement the following organizational and legal actions: firstly, it is necessary to include norms that allow to reflect in the balance sheet all the fixed assets leased by non-state educational organizations as assets with the right to use, in NAS No. 6 "Rental Account"; secondly, by the order of the Minister of Finance of the Republic of Uzbekistan dated September 9, 2002 No. 103 "On the approval of the national standard of accounting of the Republic of Uzbekistan (NAS No. 21) "The plan of accounting reports of financial and economic activities of economic entities and the guidelines for its application" change the name of the account 0310 - "Fixed assets received under financial lease agreements" in the approved chart of accounts to "Fixed assets received under lease agreements" or according

to the requirements of the international standard of financial reporting No. 16 "Lease" to the chart of accounts entitled 0320 - "Assets with the right to use" it is necessary to introduce a working account. In accordance with this account, it is required to change the name of the account 7910 – "Financial rent payable" in the current chart of accounts to "Lease liabilities".

Also, in order to improve lease relations in non-state educational organizations on the basis of the international standard of financial reporting No. 16 "Lease", it will be necessary to make appropriate changes, additions and additions to the forms of financial reports submitted by non-state educational organizations to state tax authorities. As a result of these changes, external users and investors will be provided with information that allows them to accurately analyze the financial situation of the organization.

**List of used literature:**

1. National accounting standard of the Republic of Uzbekistan "Plan of accounting reports of financial and economic activities of economic entities and instructions for its application" No. 21 NAS.
2. National accounting standard of the Republic of Uzbekistan "Rental accounting" NAS No. 6.
3. Decision No. 54 of the Minister of Finance of the Republic of Uzbekistan dated May 11, 2009 "On approval of the regulation on the procedure for reflecting rental transactions in accounting".
4. Гетман В.Г. Совершенствование международных стандартов финансовой отчётности. «Международный бухгалтерский учёт» 43(75)-2005, pp. 9-16