
REFLECTING ESTIMATED LIABILITIES IN THE ACCOUNT

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ABSTRACT: In this article, the amount of allocations to the reserve organized for the future costs of the enterprises that implement the realization of goods (services) in connection with the provision of warranty repair and warranty service and the issues of their calculation are studied.

KEYWORDS: liability, estimated liability, guarantee, provision, amount of provisioning, maximum amount of provisioning.

INTRODUCTION

In general terms of warranty, the warranty can be for replacement or service. If, in the condition of product sale, replacement is provided for a certain period of time, after which service is provided, the warranty is valid on the basis of these conditions.

In addition to the correct reflection of warranty issues in the account, the account of the warranty issue should also be kept for tax purposes. According to Article 316 of the Tax Code of the Republic of Uzbekistan, a taxpayer who sells goods (services) has the right to set up a reserve for future expenses related to warranty repair and warranty service. Allowances for the formation of such a reserve are included in the amount of deductions in accordance with the procedure established by the Tax Code. The taxpayer shall independently make the decision to establish such a reserve and determine the maximum amount of deductions in the accounting policy for taxation purposes.

In accordance with the terms of the contract concluded with the buyer, the reserve is established in relation to the goods (services) for which service and repair are provided during the warranty period. The amount of allocations to the reserve on the date of realization of these goods (services) is included in the sum of expenses.

THE MAIN FINDINGS AND RESULTS

The amount of the established reserve is defined as the share of the expenses actually incurred by the taxpayer for warranty repair and service in the amount of revenue received from the sale of these goods (services) during the past three years, to the amount of revenue received from the sale of these goods (services) during the reporting (tax) period. shall not exceed the maximum multiplied by.

The maximum amount of reserves for warranty repair and warranty service is calculated according to the following formula:

| | | | | | |
|---|---|---|---|---|--------|
| The maximum amount of allocations to the reserve for warranty repair and warranty service costs (%) | = | Actual costs incurred for warranty repairs and warranty service within the last 3 years | : | Revenue from the sale of products subject to warranty repair and warranty service in the last 3 years | × 100% |
|---|---|---|---|---|--------|

The amount of reserves for warranty repair and warranty service is determined by the following formula:

| | | | | |
|---|---|---|---|---|
| The amount of allocations to the reserve for warranty repair and warranty service costs | = | Revenue from the sale of products subject to warranty repair and warranty service | × | The maximum amount of allocations to the reserve for warranty repair and warranty service costs (%) |
|---|---|---|---|---|

For example, the income from the sale of products sold under the condition of warranty service and repair during the warranty period of the company engaged in the production of household appliances amounted to 90,000 thousand soums.

Income from the sale of household appliances for the last 3 years - 250,000 soums.

Actual costs related to warranty repair and warranty service - 20,000 thousand soums.

The maximum amount of allocations to the reserve for warranty repair and warranty service costs:

$$20\,000 \text{ thousand soums} \quad / \quad 250\,000 \text{ thousand soums} \quad \times \quad 100\% = \quad 8\%$$

Thus, the amount of reserves will be equal to 7,200,000 soums ($90,000,000 \text{ soums} \times 8\%$).

The expenses of the organization for warranty repair and warranty service carried out this year were written off from the reserve and amounted to 7,000 thousand soums.

The rest of the reserve 200 thousand soums ($7,200 \text{ thousand soums} - 7,000 \text{ thousand soums}$) will be transferred to the reserve for the next year.

At the end of the reporting period, the company made an allocation of 15,000 thousand soums for the purpose of creating a reserve for the warranty repair (warranty service) of its products, which was determined according to the established norms and reflected as deductible expenses.

The actual cost of spare parts for warranty repair was 17,000 soums. Expenditures in the amount of 15,000 thousand soums were written off to the created reserve account.

The amount of the formed reserve is 2,000 thousand soums less than the amount of actual expenses, the difference between them is included in the deductions based on paragraph 7 of Article 316 of the Tax Code.

In this case, the expenses incurred from the account of the established reserve amount to 15,000 thousand soums. This amount is reflected in Appendix 2 of the profit tax calculation:

- in column 3 of line 0117 - expenses related to the formation of a reserve fund 15,000 thousand soums;
- in column 3 of line 01332 - expenses related to spare parts exceeding the reserve fund - 2,000 thousand soums.

To our knowledge, according to National Accounting Standard No. 21, the following amounts may be reflected in this account:

to repair fixed assets;

to pay the employees of the enterprise vacation pay (including social insurance payments and provision);

for production costs in preparation for the fact that production will have a seasonal nature; for warranty repair and warranty service, etc.

The reservation of sums added to the costs is regulated by legal documents, as well as by the Regulation "On the structure of the costs of production and sale of products (works, services) and the procedure for forming financial results", approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 54 dated February 5, 1999 .

Transactions for calculation of reserves are reflected in the credit of the account 8910 "Reserves for future expenses and payments" and in the debit of accounts accounting for expenses.

The amount of actual expenses and payments made at the expense of the reserved amounts is written off, reducing the amount of reserves, in the debit of the account 8910 "Reserves for future expenses and payments" in connection with accounts accounting for expenses.

8910 "Reserves for future expenses and payments" analytical account is kept separately for each type of reserve.

The reserve amount for future expenses related to warranty repairs in the income tax return:

- It is included in line 020 of the profit tax calculation;
- It is included in the calculation in lines 010, 020, 0117 of Appendix 2.

When the taxpayer decides to terminate the sale of goods (services) subject to warranty repair and warranty service, the amount of the previously established and unused reserve is included in the income after the expiration of the warranty repair and warranty service contracts.

In general, on the question of taxing or not taxing the costs of warranty repair and warranty service, as mentioned above, sufficient norms have been formed in the tax code. However, in this matter, accounting cannot be fully ensured.

In national accounting standards No. 21, the account 6940 "Debts under guarantees" reflects the enterprise's obligations to customers for warranty service for sold products. If the enterprise gives a warranty period to the buyer during the sale of its product, this obligation will exist for the entire warranty period. The guarantee amount is reflected in the debit of expense accounts during the period of product sale. Based on its experience, the enterprise calculates the amount of the guarantee for future periods, that is, the average service cost per unit of goods or services, and reflects this amount on the credit side of the account 6940 "Debts under guarantees" in connection with accounts that record costs possible.

It is clear from this that under the guarantee that we mentioned above, if it is possible to calculate the amount of the estimated liability for warranty service, this amount can be brought.

6940 Analytical account on the account "Debts under guarantees" is kept separately for each type of product, works and services sold with a guarantee.

1-table

6940 Connection of the account accounting for "debts under guarantees" with other accounts

| No | Content of economic transactions | Connection of accounts | |
|----|--|------------------------|--|
| | | Debit | Credit |
| 1. | Debt under warranty was calculated | 9430 | 6940 |
| 2. | Actual warranty service costs are excluded | 6940 | Харажатларни хисобга олувчи счёлар |

From the information in this table, we can see that the recognition of the liability for warranty service is reflected in connection with the account 9430-Other operating expenses. This, while it serves the correct organization of the account when it is a fact liability, it does not correspond to the compatibility of income and expenses when it is an estimated liability. That is, in our opinion, when the warranty period is more than one year, generally far from the current period, it is not correct to recognize the cost of the total period only from the point of view of accounting.

CONCLUSION

At the same time, debt under guarantees is not taken into account in our national standard for services provided for goods guaranteed for a period longer than one year. That is, even if the seller sold the product under the condition of 3-year service, he is obliged to transfer the warranty service obligation to the current account only. Because there is no account of long-term debt on guarantees in the national standards of accounting report No. 21.

Therefore, it is appropriate to synchronize the account 6940 "Debts under guarantees" with the income account from service during the guarantee period.

In our opinion, it is appropriate to open an account of estimated liabilities for warranty repair and service 7940-Guaranteed repair and service and keep the long-term part in this account even in entities that keep accounts based on national accounting standards.

REFERENCES

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3. International Accounting Standard "Estimated Liabilities, Contingent Liabilities and Contingent Assets" (Appendix 22 to the Order of the Minister of Finance No. 61 dated 10.11.2022, registered by the State Government with No. 3400 dated 09.12.2022) | BUHGALTER.UZ
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