



## ISSUES OF IMPROVING THE ACCOUNTING OF INTELLECTUAL CAPITAL IN THE CONTEXT OF MODERNIZATION OF THE ECONOMY

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### ABSTRACT

There are analysis of intellectual capital management date of economic entities, comparison of accounting date on management systems improving and their proper reflecting in calculations are highlighted in the article.

*Keywords: intellectual capital, business capital, intellectual property, financial analysis, accounting, human resources, management, accounting, intangible assets.*

### INTRODUCTION

The guarantee of the future of our country is considered to be an important task of the time to form a comprehensively mature, educated, harmoniously developed generation with high intellectual potential. Today, it is important to maintain peace in our country, ensure sustainable growth of our economy, achieve the well-being of our people, as well as create the basis for deep knowledge and professionalism of our youth, training them as modern professionals. This, in turn, requires the proper evaluation, documentation and recording of existing and emerging intellectual values in accounting.

Today, tax and statistical reports are submitted 100% electronically via the Internet. Last year, the issue of further reforming and improving the education system was also in the center of our attention. Annual expenditures in the field of education in our country make up 10-12% of GDP. This is almost twice as much as the relevant recommendations of UNESCO on the amount of investment needed in education to ensure sustainable development of the country, ie 6-7%.

At the current stage of the economy of our country, the role of the development of the services sector is special. It should also be noted that the economy has a special information network and the development of information and intellectual business. The share of these industries in GDP is growing, and the number of people employed in it is growing. The most noteworthy aspect is that these areas are based entirely on intellectual capital. In these areas, material capital is of a secondary nature and serves as intellectual capital.

### ANALYSIS AND RESULTS

The view of intellectual capital as a key factor in today's production shows the need for special attention to its theoretical essence.

Due to the relative novelty of the category of "intellectual capital", there is still no clear definition among experts and scientists, and no clear definition of the composition of this capital. As a result of the analysis of the economic literature, we can see that the definition given by T. Stewart is a bit more perfect: The main emphasis is on the fact that intellectual capital consists of knowledge accumulated in a company based on a certain algorithm.

An analysis of the literature shows that the following parts are added based on the structure of intellectual capital (Table 1). In the economic literature, the connection of the concept of capital with man or his

intellect goes back a long way. A. Smith wrote in his time: "Fixed capital is characterized by the fact that it brings income or profit without going into circulation or changing its owner, is part of the features acquired and present in all members of society or its inhabitants."

Thus, it is not in vain that A. Smith added labor to the fixed capital structure. In particular, Friedrich List emphasized the relevance of the concept of capital to man, noting that the individual is an important factor in increasing the characteristics of production.

**Table 1**  
**Classification of intellectual capital**

| Components of intellectual capital |                        | Elements of intellectual capital   |
|------------------------------------|------------------------|--|
| Human capital                      |                        | Total workforce  |
|                                    |                        | Knowledge and training of specialists  |
|                                    |                        | The intended knowledge of the staff  |
| Structural capital                 | Organizational capital | Objects of intellectual property of the organization (products of creative work) |
|                                    |                        | Information resources and technologies   |
|                                    |                        | Electronic networks  |
|                                    |                        | Organizational structure and business management system                          |
|                                    | Customer capital       | Commercial (business) ideas and business relationships                           |
|                                    |                        | Distribution of products (works, services) is a commercial network               |
|                                    |                        | Participation in business partnerships, holdings, financial industry group       |
|                                    |                        | Means of individualization of the firm (basic goods or business services)        |
|                                    |                        | Business reputation of the company (brand)                                       |
|                                    |                        |  |

Source: Developed by the authors based on scientific research data.

Speaking of intellectual capital, the introduction of the name "Intellectual Capital" in several books in 1993 and 1994 and the determination of the true value of the company played an important role.

Table 2 below shows the history of the development of "capital".

**Table 2**  
**Historical stages of capital development**

|                              |                    |                            |  |
|------------------------------|--------------------|----------------------------|--|
| Er                           | Industrial capital | Financial industry capital | Business capital (modern interpretation) |
| Products grown on the ground |                    |                            |  |
| Raw material resources       |                    |                            |  |
| Production funds             |                    |                            |  |
| Gold (silver)                | Financial capital  | Intellectual capital       |  |
| Money                        |                    |                            |  |
| Labor resources, knowledge   |                    |                            |  |
| Information                  |                    |                            |  |
| Technology                   |                    |                            |  |
| Market assets                |                    |                            |  |

According to this table, intellectual capital is a form of capital typical of the current stage of development of society. The category "business capital" can be defined as the total sum of property and rights belonging to the firm. The legal basis and appearance of "business capital" is the enterprise.

The concept of enterprise in a market economy is defined by some economists as follows: "An enterprise is an independent business entity with the right of a legal entity, which, based on the use of property, produces and sells products, performs work and provides services."

According to Article 39 of the Civil Code of the Republic of Uzbekistan, “who owns, manages or operates separate property and is liable for its obligations with this property, may have property or personal non-property rights on its own behalf and exercise them an organization is a legal entity that can receive, fulfill obligations, be a plaintiff and a defendant in court.

Legal entities must have an independent balance sheet or budget. ”

In the Republic of Uzbekistan, the enterprise is an object of civil law and is considered as a property complex for business purposes. An enterprise includes all types of property used in its activities, which are legally owned by it as a property complex. It turns out that the concept of "business capital" is broader than the concept of "enterprise", that is, it includes property and the rights of participants, which have not been legally confirmed.

There are two main components to the structure of intellectual capital: human and structural capital. Human capital is "a set of knowledge, practical skills and creative abilities of employees of the enterprise", and structural capital is "all the documents that remain in the enterprise after the departure of employees." Structural capital includes, for example, databases, consumer lists, trademarks, intellectual property, and organizational structures. Human capital is recognized as the driving force of innovation. The human capital of employees is the basis of intangible assets in the enterprise, the generator power of innovative development.

The formation of intellectual capital is carried out at the expense of various sources. The following levels of formation and use of intellectual capital are distinguished in the economic literature:

- formation of intellectual capital on a personal level;
- formation at the family level;
- formation at the level of business units (enterprises, organizations);
- formation at the level of various sectors of the economy;
- formation at the regional level;
- formation at the national level;
- formation at the international level.

As a result of investing in the development of intellectual capital, improving their skills, achieving higher levels of knowledge and skills, a person achieves higher wages, career opportunities, higher position in the labor market, education, health and living standards, including savings in human capital.

VN Kostyuk studied the direct impact of intellectual capital on recent labor productivity. He noted that "if capital is in the form of transactions and innovations, its increase could increase recent labor productivity under other equal conditions." According to him, in the information society, capital moves not in the form of material-money, but in the form of material-money-information. The last component implies that capital includes technological and organizational knowledge, entrepreneurial talent, and the ability to see changes in conjuncture.

The functions of intellectual capital were regulated by studying the views of T.Swart, K.Sveibi, L.Edvinsson, E.Brukking, V.L.Inozemtseva and other scientists (Table 3).

**Table 3**

**Functionsofintellectualcapital**

| Accumulation  | Production  | Practical work                  |
|---|---|---------------------------------|
| Formation and accumulation of knowledge, skills and abilities | Involvement of intellectual resources in production processes | Assist in solving various tasks |

| Economic   | Creator   | Developer   |
|--|---|---|
| <p>Employees with intellectual capital form the income of the enterprise, will be a key factor in economic development at the micro and macro levels.</p> <p>By affecting the economic development of the country, the volume of national income will increase</p> | <p>In the process of accumulation and use of intellectual capital, material and intangible benefits are created</p> | <p>Science and technology are the basis of progress, because knowledge, information and the resulting discoveries are the engine of progress.</p> |

Source: Based on Internet data.

In general, it can be seen that intellectual capital has a wide meaning. Intellectual capital is an integral part of the modern information stage of society's development, reflecting the creative expression of man. Important elements of intellectual capital are: new knowledge, creative, creative abilities, initiative, professional mobility, professional flexibility, know-how, advanced decision-making methods, freedom of information, work culture.

Effective use of intellectual capital is the basis for the owners of enterprises and organizations, as a whole, to enable the state to increase the efficiency of economic and economic activities, business development, sustainable economic growth and competitiveness in world markets. This, in turn, requires the proper maintenance and improvement of intellectual capital accounting.

One of the key factors determining the economic strength of a country and its well-being in many ways is the ability of the economy to create and use intellectual capital effectively. Leading countries in this area today have the opportunity to excel in competition and influence the dynamics of the economic process.

Uzbekistan has sufficient natural and labor resources, scientific potential, but lags far behind the economically developed countries of the world in the application of advanced science and technology in the production and management processes to offer competitive goods and services to the world market. This, in turn, requires a qualitative development of the level of intellectual knowledge of managers, employees, future personnel and the general population, the ability to create intellectual property.

According to K. Khubiev, today there is a strong struggle for the most important resources in the world. These include limited, non-renewable raw material resources, as well as recyclable technological and intellectual resources. Modern competition is highly dependent on these resources.

In modern society, intellectual capital is considered as an important resource of production, along with material, energy and human resources. Knowledge is becoming one of the important conditions and determinants of modern production and competitiveness. Intellectual funds are increasingly squeezing out physical and financial funds as a key factor in production.

Intellectual capital includes capital that can be transformed from intangible to income in a short period of time, that is, the knowledge, skills, experience, and intangible assets of workers.

Summarizing the views of researchers, we can say the following characteristic features of intellectual capital:

- Economic growth trends in the modern economy are determined by this form of capital;

- the formation of intellectual capital requires sufficient and constantly growing costs from the individual and society as a whole;
- accumulation of intellectual capital is carried out on the basis of continuous improvement of knowledge, skills and abilities;
- in the process of accumulation of intellectual capital, its economic efficiency increases;
- Accurate and timely accounting of intellectual capital and its improvement.

According to the World Bank and the United Nations Development Program, today the planet's physical capital, in other words, accumulated tangible assets make up only 16% of total wealth, natural resources 20%, and human capital or investments in humanity 64% (most developed in countries up to 80%).

The main share of scientific organizations of Uzbekistan (88%) is at the expense of state property (USA - 39%, Great Britain - 45%, Germany - 82%, Japan - 96%). Accordingly, the costs associated with their operation are financed from the state budget.

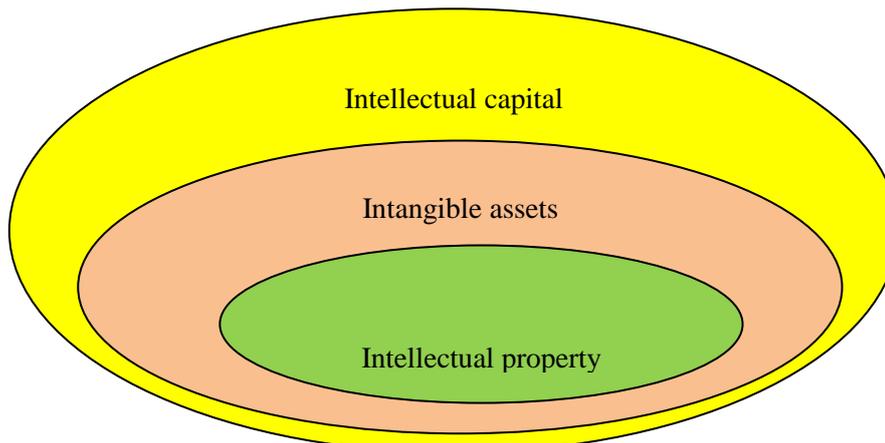
On this issue, Professor B.Yu. According to Khadiev, "the valuation of an enterprise is to determine in monetary terms the value that could most likely be the estimated selling price, and it should reflect both the characteristics of the enterprise as a commodity, ie its profitability and the costs necessary for that utility."

These conclusions are important in the context of ongoing socio-economic reforms and modernization of industries in our country. Stable human capital has a low market value. The strengths of a firm (human capital and organizational capital of a business) need to demonstrate its superiority to the market every day and every hour in order for its potential to be transformed into the real value of the business (valued by customers at an increased price). To this end, it is necessary to develop special tools to take into account, analyze general information about intellectual capital and other strengths of the business and present it to external users.

The conceptual framework of intellectual capital analysis highlights a number of objects that should be covered by financial analysis and audit methodology. It should be noted that a paradoxical situation has arisen in the analysis of research on the problems of informatization and intellectualization of entrepreneurial activity. Philosophers, sociologists, lawyers and experts in the field of economic theory clearly prove the existence of the phenomenon of business intellectual capital and believe that in statistics it has a significant impact on all aspects of the firm's activities.

For many years, the scientific community has argued that traditional methods of economic analysis, information business and intellectual capital accounting, auditing and evaluation standards as the basis of any modern business are in crisis. But practitioners still continue to use standards for calculating indicators of economic and financial analysis of the enterprise and conducting business accounting, auditing and evaluation based on the rules of classical economic theory.

The main problem in the formation of financial statements of business entities in terms of research methodology is related to the specific features of information and intellectual capital that do not fit into the traditional definition of assets accounted for in the balance sheet of the enterprise and the organization. The scheme of the existing model of intellectual capital is as follows (Figure 1), in which, as we can see, the concept of "intellectual capital" is inextricably linked with the usual concepts such as "intellectual property" and "intangible assets".



**Figure 1. The relationship between the concepts of "intellectual capital", "intellectual property" and "intangible assets"**

According to Figure 1, intellectual capital includes intangible assets, intellectual property and has a relatively wide range of them. In order to clarify this issue, we can clarify the application of these concepts in accounting by comparing international financial reporting standards and national accounting standards of the Republic of Uzbekistan.

Identifiable intangible assets can be equated separately and reflect independent concepts (patents, trademarks, etc.). They can be acquired within the company, individually or as part of an asset group.

Non-identifiable intangible assets cannot be acquired on their own, they can be acquired as part of an asset group or as part of an entire entity. However, dividing all intangible assets into such two categories is not universal. This is because there are "accounting assets" that are included in intangible assets only because it is not clear to which category they belong. For example, this category may include capitalized costs or organizational costs to establish a legal entity.

The parts of intellectual capital that do not fall under these rules are excluded from the general rule and, with the exception of them, are placed in a special, pure accounting structure called non-identifiable intangible assets of the type "goodwill". According to T. Stewart, according to current accounting standards, a large proportion of intellectual assets are reflected in accounting books (such as electrons in Wilson's camera) only in the form of images (hypothetically involved in goodwill, but not identified with it).

Thus, the existing local legal norms and accounting standards provide external users with information about only a part of the intellectual capital of the business, in particular, the product of creative labor, commercial ideas (know-how) and means of individualization obtained by them from the organization allows you to get. The remaining structural unit of business intellectual capital will not be present in the accounting and financial statements. The above considerations indicate that not all components of business intellectual capital are reflected in the balance sheet of an organization.

A characteristic feature of intellectual capital is that the economic benefits from the use of intellectual capital cannot be secured by ordinary possession (as is the case with intellectual capital) or the registration of a legal right to it. Simply put, unlike objects in the material world, a single piece of information and knowledge can be used simultaneously by an unlimited number of participants. In order to get economic benefits from their use, it is enough for any participant to get acquainted once.

Taking into account these features of information and knowledge, the rules of accounting standards that determine the assessment of the components of intellectual capital according to the methods used in the assessment of material resources are considered inappropriate. For example, in accordance with IFRS 38 and IFRS 7, intangible assets are carried at cost at cost. This means the amount of current expenses of the organization (at the time of their acquisition) or the material costs of obtaining a title deed (if created on its own).

These principles, in fact, mimic the rules for valuing fixed assets and inventories of material production, without taking into account the specific characteristics of intellectual capital. Thus, the costs incurred to acquire the asset and obtain the title documents are the basis for accounting for the asset in the balance sheet. In this case, most of the absolute rights of the enterprise are not reflected in its balance sheet, as their apparent appearance is not associated with some accounting transactions due to the lack of a title document.

In all normative documents, only material goods are recognized as the concept of property and objects of property, while the concept of property itself is likened to the object and understood as a material resource. There is not enough space for intangible benefits in this concept, as a result of which the developers of various normative documents for practical use are forced to equate these invisible assets with the laws of the material world..

## CONCLUSION/RECOMMENDATIONS

The following suggestions and recommendations can be made by emphasizing the above. The main factors influencing the future of the enterprise: strategy and prospects, globalization, high flexibility, use of modern information technology, increasing the role of innovation, accelerating product innovation, integration and interdependence of functions, value added and quality of work, business system taking into account their interests.

It is necessary to effectively use the intellectual potential of the country to ensure sustainable growth of the country's economy, to establish an innovative system. In this regard, based on the experience of economically developed countries, the following factors should be taken as the main factors in the formation of intellectual capital:

improvement of the country's innovation policy, budget policy aimed at supporting innovative projects, personnel policy;

reforms in education and health, further improving the living standards of the population;

ensuring the effective use of intellectual capital;

It is necessary to improve the legal framework for the organization of the protection of intellectual property, the regulatory framework for its use, the system of integration of science and industry.

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