



## IMPROVING THE AMORTIZATION METHODS OF REPRODUCTION OF THE MAIN CAPITAL - AS THE FUNDAMENTAL BASIS OF THE COMPANY'S CAPITALIZATION

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### ABSTRACT

This article analyzes the methods for calculating depreciation from the point of view of the reproduction process of replenishing fixed capital and, as a result, increasing the capitalization of the joint stock company Uzbekistan railways. Considered foreign concept of depreciation policy. A brief retrospective analysis of depreciation from the point of view of the main source of investment processes and their impact on the economic growth rate of the country as a whole has been carried out. Information is provided on the advantages and disadvantages of methods for calculating the depreciation of fixed assets under national law. The calculation of the rationality of the application of a method of depreciation. In conclusion, it was concluded that the useful lives of fixed assets, on the basis of which the rates of depreciation charges are established, should be determined on the basis of physical depreciation of fixed assets subject to a certain extent to their moral depreciation.

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### INTRODUCTION

Since modern economic concepts, as well as the cycle of production capital, diverge in the methods for determining the mechanism for transferring the value of fixed assets to the products produced and in assessing the influence of time factors there is a need to revise the depreciation methodology. Depreciation of fixed assets is the operation of allocating the costs of creating or acquiring fixed assets over many periods. - periods and for the time corresponding to a specific object of the enterprise [1]. Samuelson interprets depreciation as a cost necessary to recover part of the physically worn fixed assets. In the national accounting standard number 5 (NSBU number 5) depreciation is defined as "the value of depreciation in the form of a systematic distribution and transfer to the cost of production (works, services) or expenses of the period based on the appointment of fixed assets depreciable value of the asset during the useful life". In the foreign economic literature, the concept of "depreciation" has a broader interpretation than in the domestic one [2]. Zara overview beige concept of depreciation allows you to highlight several specificity features of conceptual constructions:

- Depreciation is considered in economic theory, financial management, minimization of tax costs, management of business design and accounting;
- In the domestic literature, consideration of depreciation in the framework of the economic and accounting approaches prevails, the rest are still in their infancy;
- The concept of depreciation in our country is going through a stage of formation, even the conceptual apparatus has not yet fully formed, so in a number of works "is identified with" depreciation deductions " [3];
- In economic theory, the depreciation policy of an enterprise can be based on one of two concepts: loss of value and size cost savings.

The concept of losing value is used in management strategies. s fixed assets, to restore in the future fixed asset [4]. This concept is primarily related to the study the process of reproduction of fixed assets in kind. Traditionally, this approach is used in high level conditions of economic processes. The second concept - "cost allocation" is intended to be adequate reflection of the cost of acquiring an asset by the years of its service for a reasonable calculation of taxable income. A similar interpretation of depreciation appeared since the introduction of the income tax in the USA in 1909. In the research tradition of foreign depreciation These deductions are

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called capital deductions. K.R. McConnell and S.L. Bru under the depreciation understand "... annual allocations that show the amount of capital consumed in the course of production in different years" [5]. The contradictions between the mentioned approaches are largely due to the difference in depreciation functions. The first concept is characterized by - the role of depreciation only for the replacement of fixed assets due to wear. The second approach, on the contrary, treats depreciation broadly, depreciation with investment mechanisms and efficiency of movement capital.

## **MATERIALS AND METHODS**

In the middle of the XX century, it was revealed that the depreciation rates do not provide the necessary rates of reproduction of fixed capital. Conducted research on the establishment of optimal standards that ensure the maximum national economic effect in January 1963 differential rates of depreciation were introduced. The essence of these innovations was to establish higher rates of deductions for fixed assets that were under heavy load, or consisted of less durable material. Despite the fact that depreciation in the USSR did not become a source and engine of expanded reproduction, depreciation rates were justified only from the standpoint of physical deterioration of fixed assets. However, the identification of depreciation of fixed assets only with their physical deterioration is not legitimate. It convincingly proved in the 60s. Pavlov PM, highlighting two types of wear and tear of fixed assets. This confirms and is following that time [6]. It should be emphasized that the process of depreciation of fixed assets, leaving aside obsolescence, is a rather complicated process, it is different depending on age, type, degree of use of fixed assets and other factors. In this case, the depreciation of fixed assets is uneven in time. As a rule, in the first years of the service life, when the fixed assets are still new, it is small, growing with the aging of labor tools. T.S. Khachaturov and a number of other well-known railway transport experts paid attention to this pattern.

Accurate accounting of all these factors when calculating depreciation is difficult (impossible) to reflect.

The foreign experience of introducing the immobilization policy is very interesting. In most developed countries, accelerated depreciation is introduced in order to maintain investment expectations in fixed assets. For example, in Germany and Japan, rapid economic recovery or the so-called economic miracle was achieved mainly on these measures. The introduction of accelerated depreciation methods in Germany (as well as the provision of tax incentives) enabled enterprises to accumulate up to 60 percent of investments in the economy as a whole, and more than 70 percent of all investments in the renewal of fixed capital in industry. It should be noted that almost 50 percent of these investments were accumulated as a result of accelerated depreciation. In Germany, a law was passed that allowed for two years to amortize up to 48 percent of the initial cost of fixed capital. The economic miracle in the postwar years of Japan is based on attracting investment, a significant part of which has been accumulated based on the policy of accelerated depreciation. The main investment source in case of shortage or lack of funds are own funds. So in 2017, the share of depreciation and profits in the total investment in Uzbeks with a tone of about 60%.

In most countries with developed economies, the depreciation fund is considered as an important source of not only simple, but also expanded reproduction. This is evidenced by many facts, when for a long time the fixed capital was updated for the light of depreciation deductions. The share of current and capital expenditures of enterprises exceeds 40 percent carried out from the extra budget sources [6]. In the early 90-ies of XX century the share of depreciation gross investment in the fundamentals Noah capital was 50% in Japan, 64% in Germany, and 70% in the United States. Using targeted tax breaks, the state can influence the processes taking place, the ratio between investment companies in the active and passive part of fixed assets, to influence the National placement of industrial investment. Important role in the form additional sources of funding for programs are played from investment legislation and a significant reduction in tax - on company profits.

So, during the tax reform of the 80s. XX century. in the United States of America were significant but reduced the service lives of fixed assets and, accordingly, taxable profits. At the same time, the number of classes of fixed assets with different service life was reduced. These measures have significantly simplified the procedure for calculating depreciation. Accelerated list lower cost of fixed capital led to a significant increase in investment funds of American firms (they increased in 1982 prices from \$341.3 billion in 1979 to 426.7 billion in 1985). For a long time, the investment process was stimulated with the help of various economic tools. For example, in the United States from 1962 to 1986, the government provided incentives for the reproduction of fixed capital by providing a tax rebate of up to 10 percent. The depreciation periods were directly attached to the skid stone. In the period from 1981 to 1986, enterprises had the right to deduct from the tax on There was a 6% expenditure on equipment with a depreciation period of up to 4 years and 10% over 4 years. The use of accelerated depreciation reflects the methods of state regulation of reproduction of fixed capital through the development taking profits from taxes, but subject to its mandatory production investment. At the same time, the use of accelerated depreciation and transfer methods - evaluation of fixed assets in order to increase the investment potential of the enterprise are associated with certain restrictions. These are existing regulations and standards regarding the procedure for calculating depreciation from - Numbers. US law to avoid this contradiction allows the use of different depreciation methods for tax accounting purposes. Most companies use scoop methods. Real tax write-offs and linear write-offs in business accounts. Only from 20 to 25% of large American companies use accelerated depreciation in reports for shareholders [7].

## **RESEARCH METHODOLOGY**

The methodological basis for solving these problems appears to be the concept of depreciation policy. Among scientists and specialists, there is no single point of view on many aspects of this product, problems, disagreements arise both at the level of interpretations of this concept, and at the level of specific calculation methods.

## **RESULTS**

In accordance with [8], the following methods of depreciation are allowed at railway companies:  
linear method;

method of writing off the cost of the sum of the numbers of years of useful life;  
diminishing residue method;  
method of writing off the cost in proportion to the volume of production (works).

To determine the nature of the increase in the depreciated value, as well as the nature of changes in the rates of depreciation during the useful life of fixed assets under various methods of its accrual, calculations were performed, the results of which are shown in Figures 1 and 2. Thus, when considering the process of increasing the depreciated value in terms of its calculation in proportion to the scope of work, the previous increase in the load on one car was calculated. The graphs of the increase in the value of depreciated value and depreciation rates were built for the object (car) worth 128.652 million sums with a service life of 22 years.

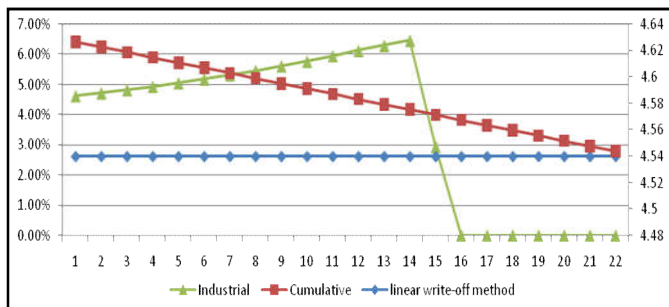


Fig. 1. The annual rate of depreciation on the initial value

From the constructed graphs, it follows that the fastest increase in the rates of depreciation deductions occurs with the cumulative and production depreciation method. Consequently, these methods of calculating depreciation are most rational if it is necessary to ensure rapid accumulation of depreciation during the first half of the service life to finance the acquisition of fixed capital. In addition, depreciation in proportion to the amount of work in the first half of the useful life also provides for the rapid accumulation of depreciation (compared to the linear method), and later - a slowdown. Therefore, it reflects changes in the intensity of use of fixed assets as they age. In reality, the process of increasing the value of depreciation value, of course, will be somewhat different, since the intensity of use of the new facility is much higher than that used in operation. Currently, the railway company uses a linear method of depreciation, providing the accrual of equal depreciation amounts from the cost of fixed assets used with different intensity. However, in modern conditions, in order to intensify the reproduction of FA in the study, based on the advantages and disadvantages of the allowed methods of calculating depreciation, the company's operating group was grouped for which it is advisable to use a certain method of calculating depreciation. In assigning the objects of the OS to a particular group, the following considerations were guided:

- That the accrued depreciation performed a stimulating function;
- that the depreciation should reflect as completely as possible the physical depreciation of this FA group;
- so that the accrued depreciation in the reporting period was related to the income in which it contributed;
- so that the system of accounting for depreciation charges is not significantly complicated in the structural units of the railway company.

On the basis of the study performed, it is possible to conclude about the most rational methods of calculating depreciation. Thus, the method of depreciation in proportion to the amount of work is recommended for the most active part of fixed assets directly involved in the production process. Such fixed assets include locomotives, wagons, electric trains, diesel trains, as well as machinery and equipment, etc. The depreciation method for the sum of the number of years of useful life is recommended for fixed assets that are subject to rapid obsolescence, i.e. fixed assets of the most high-tech industries (for example, computers, computers and other office equipment), as well as software from intangible assets. The method of calculating the depreciation of the diminishing balance should be used for those fixed assets that directly provide the production process, but morally do not age so quickly. These include the main railway facilities, i.e. roadbed, track superstructure, artificial structures, power lines, signaling systems, etc. The linear method of depreciation is recommended to apply to general-purpose fixed assets, since they are practically not subject to obsolescence and can be used for a much longer number of years, but which ensure the normal course of the production process. These include buildings, other vehicles, except for objects classified in the first group and intangible assets. Grouping of fixed assets of the railway company depending on the method of depreciation is presented in Fig. 3. In order to intensify the reproduction of fixed assets, the role and importance of the depreciation fund increase. To do this, the article discusses the theoretical foundations of reproduction of fixed capital, made a retrospective analysis and made specific proposals on the following issues: the service life of fixed assets, the value of fixed assets used in determining depreciation deductions, the role of depreciation policies in reproducing fixed assets of a railway company.

## DISCUSSION

As a result of the theoretical analysis, the study concluded that the useful lives of fixed assets, on the basis of which depreciation charge rates are established, should be determined based on the physical depreciation of the fixed asset subject to a certain extent to its moral depreciation. Nevertheless, depreciation cannot fully act as a source of expanded reproduction of fixed assets. Depreciation should be charged based on the original value of fixed assets, reduced to the market value of the object to be replaced. On foreign railways, depreciation is determined on the basis of the original cost, and the replacement cost, and the actual cost of replacing the fixed capital. Since, in accordance with the current legislation, the railway company does not allow a large number of methods for calculating depreciation, accelerated depreciation should be allowed in order to intensify the reproduction of fixed capital in accordance with the grouping of fixed capital, for which a certain depreciation method is advisable.

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