ACTUAL PROBLEMS OF OWNER'S EQUITY ACCOUNTING

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Abstract
This article highlights the current problems of accounting for owner's equity in companies established on the basis of equity participation, issues that need to be taken into account in the context of the transition to the digital economy. In light of these examples, a number of problems that arise in the process of organizing and maintaining shareholders equity accounting today and their nature are revealed.

Keywords: owner's equity, financial reporting, digital economy, asset value, types of shares, shareholders equity structure, bonds, new financial instruments, digital assets, dividends.

Introduction

Improving capital accounting in the context of the transition to a digital economy is a multifaceted task that requires a comprehensive understanding of both capital accounting principles and the dynamic nature of digital economic models. As businesses increasingly operate on digital platforms and use data-driven strategies, traditional approaches to capital accounting must be adapted to reflect new forms of value creation and distribution.

The digital economy is characterized by its rapid growth, expansion and creation of intangible assets. These factors can complicate capital accounting because they introduce new variables and considerations that must be accounted for in financial statements. For example, how do we properly assess the value of data, which is now a critical asset for many companies? How do we account for the contributions of platform users whose interactions are an integral part of the business model?

Capital accounting practices must evolve to address these questions. This includes rethinking how we measure ownership interests and how benefits and losses are distributed among stakeholders. It also means developing new metrics that capture the essence of digital economic activity.

One approach is to increase transparency by providing more detailed information about the nature of digital assets and their contribution to revenue generation. Another is to work on standardizing the accounting of digital assets across jurisdictions to ensure comparability and consistency .

Additionally, as we move into a digital economy, there is a need for continuing education and training for accounting professionals. They must be equipped with the knowledge and tools necessary to overcome the complexities introduced by digital transactions .

Improving capital accounting in the digital economy requires a proactive approach from all stakeholders. Legislators , standards setters, businesses and accounting professionals must work together to develop a framework strong enough to handle the nuances of rapidly evolving economic conditions.

Review of literature (review of methodological materials)

A number of scientific articles and works published in recent years were studied in the course of the research conducted to determine the current state of accounting of the owner`s capital of enterprises and the directions of its development. Among them, there are a lot of articles that shed light on the problems that exist in the development of owner`s capital of enterprises and organizations, and the tasks that the development of the economy puts before owner`s capital accounting, but in all scientific articles and works, different views and different problems are highlighted. For example, A.V.Todibayeva, Kh.Sh.Nurmukhamedova's scientific work named "Accounting and analysis of own capital organization" published in "Hronoeconomics" magazine in 2022; I.A.Babalikova, Z.T.Melkonyan, Yu.V.Astvatsaturov, A.Rashalyan's scientific work entitled "Organization's equity: Accounting, analysis and disclosure in the accounting balance" published in "ЕГИ" magazine in 2021; T.Ye.Khorolskaya, Ye.V.Kalashnikova, O.V.Ilina's article "Features of accounting and reflection in the reporting of the capital of the organization" published in "ЕГИ" magazine in 2020; Among them are scientific articles published by D.A.Lavrov in the magazine "Accounting and statistics" in 2021 entitled "Research of equity capital as an object of accounting and control from the perspective of basic approaches".

Research methodology

The research methodology used such methods as monitoring the relationship of owner`s capital in relation to accounting, data grouping, analysis, comparison, synthesis, modeling and generalization in economic entities organized on the basis of partnership. The use of these methods made it possible to identify current problems in the organization and management of accounting of owner`s capital and to develop recommendations for their elimination.

Analysis and discussion of results

In the modern economy, the accounting issues of owner`s capital are becoming especially relevant. Owner`s capital is the primary basis for the stability and development of an economic entity and serves as a source of collateral for investors and creditors.

One of the main problems in this area is the need to regulate and adapt accounting standards to changing economic conditions. This requires companies to constantly improve and revise accounting policies and methodologies.

It is also worth noting the problem of transparency of financial reporting. Companies must ensure that information about their promotions is accurate and complete so that stakeholders can make informed decisions .

Current problems of financial accounting of owner`s capital require a comprehensive approach and in-depth analysis, which is a serious problem for accounting and finance professionals.

In modern economic conditions, the actual issues of accounting for authorized capital are of particular importance. Authorized capital is the basis of the company's financial stability and reflects its solvency. It is important to understand the necessity of strict compliance with the laws and regulatory documents regulating the activities of business entities in accounting for the authorized capital .

There are a number of key aspects that should be taken into account when accounting for authorized capital. First of all, it is a clear determination of the size of the authorized capital and its compliance with the values recorded in the founding documents. Secondly, it is necessary to take into account the procedure and conditions for changing the authorized capital. Thirdly, it is necessary to take into account the specific features of the assessment of contributions in monetary or non-monetary form, which are entered as shares of the authorized capital.

In addition, another important aspect is the control over the targeted use of authorized capital funds. This implies not only the correct accounting of capital operations, but also the control of the compliance of the use of funds with the goals of formation.

Correct accounting of authorized capital helps to increase the efficiency of the company's financial management and strengthen its position in the market. This requires accountants and financiers to constantly update their knowledge and skills in the field of legislation and advanced accounting practices.

Information obtained as a result of proper accounting of owner`s capital is considered an important element of the company's financial management. While the specific challenges may vary depending on the specifics of each organization, there are several common challenges that companies face when accounting for private equity. These problems and the factors that ensure their occurrence are studied in detail and described below. They are:

Equity Valuation Challenge: Companies, especially listed entities, are often faced with the need to determine the fair value of their stock in order to properly account for equity capital . It is a complex process that is influenced by various factors such as market conditions, economic trends and company strategic decisions.

Stock valuation is a key function of financial management for companies of various forms of society, as it directly affects capital accounting and determining the company's market capitalization. The stock valuation process depends on a variety of factors and in some cases may involve complex methods and models. There are several factors that affect stock valuation. They can be classified as follows:

Key factors:

– financial indicators;

– business form and strategy.

Market factors:

– current market conditions;

– market and industry trends.

Strategic decisions of the company:

– innovations and modern development conditions;

– financial decisions.

Risk assessment:

– financial and operational risk;

– geopolitical and market risks.

The Problem of Equity Structure Ambiguity: Complex structures of equity capital, including different types of investments and debt, can make accounting for equity capital difficult. Changes in shareholder rights and terms of issuance make it difficult to determine the share of private equity.

The strict definition of the composition of owner`s capital can lead to difficulties in the correct accounting of the owner`s capital of the company. Complex capital structures may include different debt instruments as well as different shares with different rights and obligations. In this case, there are aspects that make it difficult to correctly account for the value of private equity. They are:

– shares of different categories (preferential and ordinary);
– shares ;
– options and convertibles :
– different emission prices:
– bonds:
– changes in capital structure;
– repurchase and sale of shares ;
– introducing new financial instruments into circulation;
– innovative financial products.

Problem of mismatch between asset cost and book value: Problems often arise in the valuation of assets, particularly in the valuation of the share of equity associated with the market value of the assets, which is different from the book value.

A discrepancy between the market value of assets and their book value can cause problems in valuing a company's share of private equity. This inconsistency occurs for various reasons and is important in the analysis of the financial situation of the enterprise. There are several factors contributing to this discrepancy. They are:

Asset valuation problem:

– residual value (depreciated value);
– market value (fair value).

The problem of changing market conditions:

– changes in the value of current assets under the influence of market conditions;
– emergence of new costs based on changes in market trends;
– changes in the value of financial instruments.

The problem of unaccounted liabilities:

– hidden obligations;
– a significant share of debt funds in the capital structure .

Tax Considerations: Various tax rules and regulations may affect private equity accounting. For example, changes in tax laws may affect income tax rates or capital gains tax.

Tax issues can have a significant impact on a company's equity capital account. Changes in tax laws may affect income tax rates, capital gains tax and other tax liabilities, which in turn may change our financial results and capital structure. There are several key tax issues that can affect the proper accounting of equity. They are:

– changes in income tax rates;
– changes in property tax rates;
– changes in the amount of tax benefits and charges;
– incentives and subsidies;
– obligations to pay taxes;
– deferred tax liabilities;
– changes in tax policy;
– tax reforms;
– changes in dividend tax rates;
– tax consequences of international transactions.

The problem of inconsistency between accounting standards: Countries around the world have different accounting standards, which can cause confusion when comparing companies' financial statements and valuing their capital. This is due to differences in accounting rules, valuation principles, reporting formats and even the definition of key financial indicators. Here are a few things to consider:

Differences in accounting standards requirements:

– IFRS (International Financial Report Standards);
– National accounting standards:
– GAAP (Generally Accepted Accounting Principles).

Differences in valuation of assets and liabilities;
Differences in the classification and description of income and expenses;
Differences in reporting format;
Differences in terms of explanations and disclosures.

Conclusions and Suggestions

As a result of the conducted research, problems that may arise in the organization and improvement of the accounting of owner`s capital of various types of companies were studied, proposals and recommendations were developed that correspond to them as much as possible and serve to prevent possible shortcomings. I believe that stock valuation should be done using various methods such as discounted cash flow (DCF), peer comparison and asset valuation . It is a complex process that requires careful analysis and evaluation of many factors to achieve more accurate results . Based on the DCF, it is possible to obtain information about whether the real value of the company's own funds is increasing or not .

When covering the elements of private equity in financial statements, special attention should be paid to substance rather than form. For example, our system of national accounts also has some shortcomings in this regard. A clear example of this is the inclusion of preferred shares of the company in the structure of owner`s capital. However , preferred shares are a capital element that has the same characteristics as debt funds. To overcome these complexities, companies need to be careful in their reporting and fully disclose the composition of private equity in their financial statements. This allows investors and analysts to better understand the characteristics of the capital structure and its impact on the company's financial position.

To account for existing inconsistencies in the valuation of assets affecting equity capital, companies need to use different asset valuation methods, conduct periodic revaluations and provide transparency and detailed explanations in financial statements. Investors and analysts, in turn, should pay close attention to financial statements and, in analyzing the company's financial position, have information about the difference between the book value and market value of assets and take this into account in the decision-making process.

We mentioned above that changes in tax legislation can have a significant impact on the company's financial position and the value of its owner`s capital elements. Companies should carefully monitor tax changes, conduct appropriate tax analysis, and take them into account when developing capital management strategies.

To minimize these problems, many international companies, especially companies with operations outside the same country, seek to comply with international accounting standards (such as IFRS) to improve the comparability of financial information. However, even then, differences in national approaches may remain. Investors and analysts should consider these aspects when comparing the financial statements of different companies and evaluating their capital.

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