CONTENT AND SIGNIFICANCE OF THE CASH FLOW STATEMENT

Juraev Davlat Jonibekovich
PhD student at the Audit Department of
Tashkent State University of Economics

Abstract: *In the context of economic development, the proper and optimal management of enterprise activities is a rather complex process. In particular, the rational management of the flow of cash and cash equivalents ensures the continuity and sustainability of an enterprise's operations. That is, the correct organization of cash accounting and its continuous analysis expands the financial capabilities of the enterprise. In recent years, one of the characteristic features of the development of market relations in the Republic of Uzbekistan has been the rapid growth of the financial market and all its sectors. In a market economy, it is not enough for management entities to simply have information. It is necessary to work with this information, draw correct conclusions, and use them to improve production efficiency. Among the sources of information used for the effective management of enterprise economic activities are data on the movement of cash and cash equivalents.*

Keywords: *environmental investments, accounting, construction industry, sub-accounts, chart of accounts, IFRS, environmental costs.*

Introduction

In the practice of our republic, the form of financial statements reflecting the movement of cash funds of economic entities did not exist either during the former Soviet period or in the early years of independence. By order of the Ministry of Finance of the Republic of Uzbekistan No. 5 dated January 15, 1997, the form of the "Cash Flow Statement" began to be used for the first time in the practice of our republic.

The cash flow statement allows you to obtain information describing the cash position of the enterprise in a specific reporting period and changes in cash funds in the current period.

The cash flow statement form, along with providing the necessary information for effective management of the enterprise, also forms the information necessary for external users.

The information in the cash flow statement serves as the basis for investors and creditors to find solutions to the following issues:

- the structure of cash receipts and disbursements;
- the amount of cash receipts and disbursements;
- the ratio of cash inflows and outflows (cash flow ratio).

The statement of cash flows, together with other reporting forms, provides information that helps to assess and understand changes in the most liquid assets of the enterprise, its financial structure (including liquidity and solvency), the ability to regulate cash flows in the face of constantly changing external and internal factors, which allows modeling the present value of future cash flows for the purpose of comparative assessment of enterprises.

According to the presentation of the International Association of Accountants (FASV Council), the main purpose of the statement of cash flows is to provide all investors and creditors of the company with sufficient information on cash flows.

According to foreign scholars B. Needles and H. Anderson, the main purpose of compiling a cash flow statement is described as follows: "The main purpose of the cash flow statement is to reflect in detail information about the inflow and outflow of cash and cash equivalents of the enterprise during the reporting period."

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The cash flow statement allows its users to assess changes in the financial position of the business entity, providing them with information about how much money was received and how much money was withdrawn during the reporting period.

The National Accounting Standard of the Republic of Uzbekistan (NAS) No. 9 “Cash Flow Statement” uses the following concepts:

“cash - cash on hand and demand deposits, as well as funds in bank accounts, currency and other accounts;

cash equivalents - short-term, highly liquid investments (financial investments) that are quickly and easily converted into a certain amount of money and have a high value due to changes in their value;

cash flows - consist of the inflow (revenue) and outflow (spending, outflow) of cash and their equivalents;

cash flow statement - a set of indicators that detail cash flows during the reporting period;

operating activities - the main income-generating activity of an economic entity, as well as other economic activities that are not related to the investment and financing activities of the entity;

investment activities - the purchase and sale of long-term assets and other investment objects that are not included in cash equivalents;

financial activities - the activities of an economic entity, as a result of which changes occur in the amount and composition of its own funds and borrowed funds.

Cash equivalents are used primarily for investments and other purposes, but only for payments on short-term liabilities. To be considered a cash equivalent, investments must be readily convertible to cash and must be subject to some risk of changes in value. Therefore, if an investment is repaid in the short term, that is, within about three months of its acquisition, it can be considered a cash equivalent.

Bank loans are related to financing activities, but bank overdrafts, which are repayable on demand, are an integral part of the cash management of enterprises. In this regard, bank overdrafts are considered a component of cash or their equivalent.

Literature Review

Cash flow does not include movements between cash and cash equivalents because they are not included in operating, financing or investing activities or relate to the management of the entity's cash. Cash management involves the use of excess cash and cash equivalents.

"The statement of cash flows should provide information about the cash flows received by the entity during the reporting period as a result of operating, investing or financing activities."

The amount of cash flow arising from the operating activities of the entity is the main indicator reflecting the extent to which the cash flow movements received as a result of operating activities carried out by the entity are sufficient to repay loans, maintain the entity's production capacity, pay dividends and make new investments without resorting to external sources of financing. Information about some parts of the past cash flow from operating activities can be used in conjunction with other types of information to forecast future cash flows from operating activities.

Cash flow from operating activities arises from the main activities of an entity. Typically, the main activities of an entity are aimed at selling products, performing work or providing services.

“The main cash flow from operating activities includes:

- cash receipts from the sale of goods and rendering services;
- royalties, contributions, commissions and other cash receipts;
- cash payments to suppliers for goods and services;
- payments to and on behalf of employees;
- cash receipts and payments of insurance company premiums, claims, annual and other payments under insurance policies;

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- cash payments for taxes or payments in lieu thereof, if they do not relate to investing and financing activities;
- cash receipts and payments for transactions concluded for trading or dealer purposes;
- others» .

Some operating activities, such as the sale of fixed assets, may result in gains and losses that are included in net profit or loss. However, the cash flows from such transactions are included in cash flows from investing activities.

Results

An entity may have acquired securities or loans for brokerage or trading purposes, in which case they are similar to inventories purchased for resale.

An entity shall separately disclose information on cash flows from investing activities. Information on cash flows from investing activities indicates the level of expenditure on resources that will generate future income and cash flows. “The main cash flows from investing activities include:

- payments for the purchase of fixed assets, intangible assets and other long-term assets. These payments include capital expenditures allocated to experimental design work, as well as payments related to construction projects carried out by the economic court;
- proceeds from the sale of fixed assets, intangible assets and other long-term assets;
- cash payments for the purchase of shares or debt obligations of other entities and the right to participate in joint ventures, excluding payments under payment instruments (such as bills of exchange) that are considered cash equivalents or are held for dealer or trading purposes;
- cash receipts from the sale of shares or debt obligations of other entities and the right to participate in joint ventures, excluding receipts under payment instruments such as bills of exchange that are considered cash equivalents or are held for dealer or trading purposes;
- deposits and loans granted to other parties (except deposits and loans granted to financial institutions);
- cash receipts from the repayment of deposits and loans granted to other parties (except deposits and loans granted to financial institutions);
- payments under futures and forwards, options and swaps, except for cases where they are intended for dealer or trading purposes or payments are classified as financial activities;
- cash receipts under futures and forwards, options and swaps, except for cases where they are intended for dealer or trading purposes or payments are classified as financial activities;
- and others» .

The transaction is accounted for as hedging of a specific position (Hedge. Hedging is a transaction in which an entity has the opportunity to protect itself from losses arising from the difference in the currency value of assets or liabilities denominated in foreign currency by purchasing forwards, futures and other transactions in order to compensate for expected losses), the cash flow under the transaction is included in the type of activity as cash flow from the position being hedged.

Discussion

A business entity discloses separately information about cash flows from its financing activities. This information is necessary to estimate future cash flows from financing activities.

“The main cash flows from financing activities include:

- cash receipts from the issue of shares or other instruments related to its own funds;
- payments to owners of the entity for the payment or redemption of their shares;
- cash receipts from the issue of unsecured bonds, loans granted by financial institutions, pledged and other short-term and long-term loans;
- repayment of loans;
- payments by lessees to reduce financial leasing obligations;

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- and others".

An entity discloses cash flows arising from operating activities using the following:

- the direct method, in which the main types of gross cash receipts and gross cash payments are disclosed;
- the indirect method. Under this method, net income or loss is adjusted for changes in current assets and liabilities, uncertain transactions, and gains and losses arising from operating investing or financing activities.

An entity shall disclose separately in the statement of financial position gross cash receipts and gross cash payments from investing and financing activities, except for cash flows that are accounted for on a net basis.

Cash flows on behalf of clients are disclosed on a net basis, in which the cash flow movements are more reflective of the client's activities than the entity's activities, for example:

- funds held by an investment firm on behalf of its clients;
- rents collected and paid on behalf of the owner.

Cash flows for items that are quickly circulating, involve large amounts of funds and have short maturity dates may also be disclosed on a net basis, for example:

-cash receipts and payments on deposits with a fixed maturity;
- placement of deposits and their withdrawal from other financial institutions;
- deposits and loans to customers and repayment of these deposits and loans (net basis - net inflow or decrease in cash during the reporting period).

Cash flows from operating activities in foreign currencies are reflected in the currency of the Republic of Uzbekistan using the exchange rate established by the Central Bank of the Republic of Uzbekistan for the date of the transaction.

Cash flows of a foreign subsidiary should be recalculated at the exchange rate established by the Central Bank of the Republic of Uzbekistan at the time the cash flow arose.

Conclusion

Unrealized gains and losses arising from changes in foreign exchange rates are not considered cash flows. However, the effect of changes in exchange rates on cash or cash equivalents held or payable in foreign currencies is reflected in the statement of cash flows to reconcile cash flows at the beginning and end of the reporting period. This amount is presented separately from cash flows from operating, investing and financing activities and is added to the difference if these cash flows are reflected in the exchange rate at the end of the reporting period.

Cash flows related to extraordinary items should be disclosed separately, depending on their origin: operating, investing or financing activities.

Cash flows related to the receipt and payment of interest and dividends should be separately disclosed and consistently classified from one reporting period to another as cash flows from operating, investing or financing activities.

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