



The Effect of Using Amortization Calculation in the Conditions of Innovative Development

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Abstract: In the innovative and investment development of the state economy, the possibilities of calculating depreciation and using depreciation allowances to accelerate the processes of modernization of the enterprise are analyzed.

Keywords: Investment, innovation, depreciation policy, accelerated depreciation, renovation, taxable profit, fixed capital, intangible assets, scientific and technical progress, investment deductions, depreciation rate, depreciation fund.

Enter

The use of fixed capital in the state economy is at different levels in different sectors, and is evaluated by the fact that the production and service sectors are not developed at the same level and use fixed capital at different intensities. Therefore, the indicators of the use of fixed capital in industries also give their results and require stratification of depreciation calculations in industries.

Investment and innovation come out as the decisive factors for the economic growth of any national economy. Therefore, in the industrialized countries of the world, the issue of activation of innovative activity is traditionally re-focused. It is the stable growth of investments materialized in innovations that creates new competitive production and ensures high quality in economic development.

Establishing the state depreciation rate regulates the nature and pace of reproduction by determining the procedure for its calculation and use, and determines the rate of renewal of the fixed capital.

The relationship between depreciation policy and scientific and technical progress will have the following order. Sectors that determine scientific and technical progress are distinguished in the overall economy. For them, the state establishes accelerated depreciation. This premature write-off of used labor tools allows to replace them with new and more improved ones. At the same time, their high performance also compensates for the losses incurred from the write-off of equipment that has not yet reached physical obsolescence. This encourages the manufacturers of new equipment to create their new models. Users of new models of fixed capital gain from their high dimensions, high productivity and low labor capacity. They also have an additional effect: the written-off equipment can be sold on its basis to manufacturers of products that are used in demand.

Certain conditions are required to implement this procedure.

First, it is necessary to fully satisfy the growing demand for means of production. Secondly, the rate of growth of quality dimensions of new equipment should be higher than the rate of depreciation allowances. According to the current evaluations, the new equipment is better than the old one

It is necessary to have an advantage of not less than 40-45%. Below this limit, the renovation loses its meaning.

Methods

The article uses the methods of grouping, comparison, scientific thinking, economic-statistical, research objects and reporting the obtained results.

Results

When we analyze the obsolescence of the main tools of the branches of our national economy, we can see that it is as follows. In 2016, agriculture, forestry and fisheries accounted for 24.4%, industry for 35.7%, and construction for 39.0% of all fixed assets. The share of obsolescence in the service sector is 36.3%.

In 2017, agriculture, forestry and fisheries accounted for 22.4%, industry for 35.5%, and construction for 38.1% of all major means. The share of obsolescence in the service sector is 34.7%. In 2018, agriculture, forestry and fisheries accounted for 16.5%, industry for 35.8%, and construction for 38.8% of all fixed assets. The share of obsolescence in the service sector is 27.6%. In 2019, agriculture, forestry and fisheries accounted for 16.8%, industry for 36.1%, and construction for 38.9% of all major assets. The share of obsolescence in the service sector is 27.8%. It can be concluded from the analysis that the share of agriculture, forestry and fishing farms in the production sector has decreased, and the share of industry has increased. Attracting investments to industrial production in our republic is the reason for the expansion and development of the industry. Industry always forms the main share in the structural structure of economic sectors.

Table 1 Depreciation of fixed assets by types of economic activity (in the reporting year, in percent)

т/р	Naming by types of economic activity	Years			
		2016	2017	2018	2019
1	All basic tools	35,9	34,9	29,6	30,2
2	Agriculture, forestry and fisheries	24,4	22,4	16,5	16,8
3	Industry	35,7	35,5	35,8	36,1
4	Construction	39,0	38,1	38,8	38,9
5	Services sector	36,3	34,7	27,6	27,8

The strategic goal of the depreciation policy is to change the direction and pace of investment processes in the economy and direct it to economic growth. This can only be achieved by carrying out structural revisions and optimizing industrial production by directing the funds accumulated through the depreciation policy to the identified key sectors.

The purpose and methods of depreciation policy tactics, firstly, have a short-term description, secondly, they are aimed at eliminating the unpleasant consequences of reforms, and thirdly, they create a material basis as a source of investment financing. Short-term performance-based goals of depreciation policy can include:

establishing the norms and methods of calculating the amortization allowance. In order to give more dynamics to the amortization policy, it is necessary to look at the procedure for making amendments to the current legislation;

review and set limits on the inclusion of the calculated depreciation amount in expenses to determine the amount of taxable profit;

centralization of the amortization amount in order to direct it to the priority areas of development of the production potential of the sector and the main types of capital;

ensure targeted use of depreciation fund funds.

When evaluating intangible and tangible assets, it is necessary to take into account one aspect, in which it is necessary to rely on the economic effect they bring. To be more specific, the level of riskiness of intangible assets is high, and the economic benefit brought by an intangible asset can be zero or very high. When evaluating material assets, the level and possibilities of their alternative use

are taken into account. If such valuation is not available, the market value shall be used. Currently, the evaluation of intangible assets is a controversial issue, and it is noted that such an evaluation should be carried out separately or in combination with tangible assets. At the same time, many intangible assets are isolated, and tangible assets have value only when their relationship with intangible types is ensured.

Depreciation is the added value of the enterprise as a calculated amount of money, and therefore it comes out in the form of current expenses included in the GDP. These current expenses are necessary for the organization of the funds of the reporting period and for the purchase of new fixed capital in order to cover future constructions or old ones.

It is self-evident that the uncalculated depreciation allowance means an automatic decrease in the amount of current expenses, which, accordingly, means an increase in the amount of profit within that existing amount of income in the reporting period.

Each amortized unit of contribution includes interest (return on investment) and a payment of a portion of the original principal amount (return on investment). The value of these components varies with each payment. The contribution to depreciation consists of two procedures: interest income or income on investments;

part of the income that goes to return or cover investment funds.

So, the economic concept of depreciation requires the enterprise to correctly direct and target depreciation allocations.

Summary

In order to encourage investment projects in the real sector of the economy under the conditions of ensuring innovative development, based on scientific and technical progress, tax legislation has introduced investment discounts for enterprises. That is, such expenses are deducted from the profit tax base. Such investment costs include:

machines, apparatuses, devices, mechanisms that have not expired more than three years from the date of manufacture, new technological equipment;

works aimed at changing the technological purpose of fixed assets, increasing their productivity, improving other quality characteristics are considered modernization;

on the basis of the introduction of advanced techniques and technology, increasing the technical and economic indicators of the main tools and parts, mechanization and automation of production, i.e. complex measures to replace old and physically broken equipment with new equipment, technical and technological re-equipment. In our opinion, it is appropriate to apply an investment discount in the amount of 10% of the cost of purchasing software as part of investment projects for the cost of new technological equipment, modernization of production, technical and technological re-equipment, creation of information systems, and this discount should be recognized as accelerated depreciation. This situation ties the accelerated rate to the amount of investment and, firstly, creates a financial source for covering investment costs, and secondly, strengthens the legal basis for stimulating the renewal of fixed assets in the real sector.

First, the use of accelerated depreciation in the economy leads to the formation of an additional source of untaxed income of operating enterprises.

Second, depreciation allowances are a stable source of profit and, unlike other sources of profit, prevent production from falling into crisis.

Thirdly, depreciation allowances are private funds of the enterprise and lead to savings on various interest payments and serve to increase production efficiency. Fourthly, the availability of amortization funds leads to the development of enterprises in accordance with the market demand and the acceleration of the modernization process, as well as the expansion of production and improvement of product quality.

Fifth, in today's world, the time factor is a major factor in the rapid acceleration of technical progress. Timely spending of amortization funds prevents entrepreneurs from increasing various tax payments on foreign fixed assets. Also, accelerated depreciation allows entrepreneurs to move funds that are exempt from income tax in the first years after the investment of fixed assets.

Sixth, the application of accelerated depreciation methods encourages the competitiveness of enterprises operating in the national economy, production of products in accordance with market demand, and acceleration of the process of modernization of the enterprise in real practice.

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