



AUTHORIZED CAPITAL ACCOUNT

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Annotation: This article analyzes the economic essence of charter capital, its legal foundations, and the procedure for its accounting in financial reporting. It examines the sources of charter capital formation, accounting records, and the documentation process related to capital changes. The paper also highlights common issues in the accounting of charter capital, provides insights from international practices, and offers practical recommendations for improvement. The analysis is based on the legislation of the Republic of Uzbekistan and international accounting standards.

Keywords: Charter capital, founder's share, accounting, legal framework, capital changes, financial reporting, international standards, corporate charter.

Authorized capital is a financial basis formed by the founders of an enterprise or organization when it is established, which determines the property base of a legal entity and the shares between the founders. Authorized capital is one of the important indicators of the legality of the enterprise, its responsibility to creditors and reliability.

Authorized capital is the sum of funds contributed by the organizers of an enterprise (or legal entity) to start and finance the activities of the enterprise. The size of the authorized capital is determined by the founders and is included in the charter of the enterprise. This capital is recorded in the official documents of the enterprise and is subject to state registration.

Authorized capital is the sum of financial, tangible or intangible assets contributed by the founders to start the activities of an organization, form financial resources and ensure responsibility to creditors, regardless of its legal form. Authorized capital is not only an organizational and legal criterion, but also a guarantee of economic stability. Authorized capital is important in the following ways:

- Represents the financial independence of the enterprise;
- Determines the share of the organization's participants;
- Increases the level of confidence for investors and creditors;
- Determines the limits of liability in the event of bankruptcy of the enterprise.

Authorized capital is a mandatory financial base that is deposited into a legal entity when it is established. In order for the enterprise to start its activities, this capital must be contributed in the form of real assets or money. The procedure for forming capital, shares between the founders and other relevant issues are detailed in the charter of the enterprise.

Authorized capital can be formed in the following forms:

- Cash – the most common method;
- Fixed assets – buildings, vehicles, equipment;
- Intangible assets – software, patents, brands;
- Tangible assets – inventories and other resources;
- Cash equivalents – securities, currency.

Sources of formation of authorized capital:

- Founders' own funds;
- Funds within the framework of investment projects;
- For corporate issuers - funds raised through the placement of shares.

Authorized capital is reflected in the passive section of the balance sheet. The following accounts are used to record it:

- 75 – Settlements with founders – in the process of capital injection;
- 80 – Authorized capital – the formed capital is reflected here.

Example: If an enterprise forms its authorized capital in the amount of 100 million soums in cash, the following accounting entries will be made:

Dt 51 – Settlement account (100 million)

Kt 75 – Settlements with founders (100 million)

After the capital is fully formed:

Dt 75 – Settlements with founders

Kt 80 – Authorized capital

If the authorized capital is contributed through fixed assets:

Dt 01 – Fixed assets

Kt 75 – Settlements with founders

The authorized capital may change in the following cases during the organization's activities:

- Increase – additional share capitalization, capitalization from profits;
- Decrease – participant withdrawal, compensation for losses, court decisions.

Any change in capital requires the introduction of appropriate amendments to the charter of the enterprise and its re-registration.

Accounting entry:

Increase:

Dt 84 – Retained earnings / 83 – Reserve capital

Kt 80 – Authorized capital

Decrease:

Dt 80 – Authorized capital

Kt 75 – Settlements with founders

Legal regulation of the accounting of authorized capital is carried out by the following main regulatory legal acts:

- The Civil Code of the Republic of Uzbekistan – determines the formation of a legal entity, the amount of capital, the shares of the founders;
- Laws on LLCs and JSCs – the minimum amount of authorized capital, shares, the procedure for changes, obligations between the founders;
- IFRS and national accounting standards – determine the requirements for reflecting capital in financial statements.

In practice, there are a number of problems in the formation and accounting of authorized capital:

- The discrepancy between nominal and real capital - often the capital indicated on the balance sheet is not supported by real assets;
- Untimely registration of changes in the charter - which violates legality;
- Poor documentation - there is no complete documentary confirmation of the capital contribution;
- Insufficient qualification of accountants - especially in small and new organizations;
- Insufficient implementation of information systems - there is no possibility of electronic tracking of the movement of authorized capital.

Approaches to calculating authorized capital in international practice:

- Germany: The minimum authorized capital for LLCs is €25,000. Capital is invested through a bank, and strict financial control is in place.
- USA: There is no strict requirement for the amount of capital, but the company's liability is high and auditing is important.
- Russia: The minimum authorized capital for LLCs is 10,000 rubles. However, it can be provided not only with money, but also with property.
- Kazakhstan: The minimum authorized capital is 100 tenge, but the company must be fully formed within 1 year after registration.

These experiences may be useful in further improving the authorized capital system in Uzbekistan.

Authorized capital is a key element determining the financial stability of any legal entity. Proper accounting of authorized capital reflects the reliability and financial condition of the enterprise. Although the existing legislation allows for the regulation of capital accounting, there are problems with its correct application in practice. The following proposals have been developed:

- ✓ Introduce a separate chapter on authorized capital in the standard accounting instructions.
- ✓ Simplify the process of formation and registration of authorized capital for newly established enterprises.
- ✓ Introduce a mechanism for monitoring the formation of authorized capital through digital platforms.
- ✓ Make it mandatory to involve an independent appraiser in assessing the fairness of the valuation of capitalized assets (fixed assets, intangible assets).
- ✓ Strengthen the body that monitors the full compliance of authorized capital accounting with IFRS requirements.

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