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## **Theoretical-methodological, practical problems of financial accounting in enterprises and directions for improving audit**

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**Abstract.** Recently, much attention has been paid to the unification of accounting at the international level. The growing role of international integration in various sectors of the economy requires the harmonization of accounting and reporting practices in different countries and their transparency. The paper analyzes different theoretical-methodological, practical problems of financial accounting in enterprises. Furthermore, different mechanisms and concepts have been determined that influencing the financial relations of the country. Oil and gas reserves are one of the key factors in Azerbaijan's economy, cultural development and improving the socio-cultural welfare of the population. Financial management of oil and gas industry in Azerbaijan has been chosen for identifying the main directions of the audit system. SOCAR and SOFAZ are the significant company that enhance Azerbaijan's economy by importing and exporting oil and gas worldwide. The reason why SOCAR has been selected for investigating is the company's aim focuses on ensuring the fuel and energy security of the Republic of Azerbaijan. At the same time, due to the growing financial resources of the country, strategic infrastructure projects of international importance are being successfully implemented, which create conditions for the modernization of transport infrastructure not only in Azerbaijan but in the region as a whole.

**Keywords.** financial management, accounting, auditing, economic development, national and international budget, oil and gas industry

### **1.Introduction**

Financial relations are related to the creation and use of monetary funds. They represent a system of economic relations, the creation of monetary funds at one level. Monetary relations, which correspond to all three of these relations, belong to financial relations. Finance itself is more important than accounting because making decisions about money, investing, saving, spending, or looking for plans to get more finance depends on this discipline.

In general, finance, as a scientific concept, is usually a set of processes that, although manifested in various forms in public life, are necessarily accompanied by the movement of money. Distribution of profits for the creation of intra-farm funds in enterprises, payment of taxes to the state budget, transfer of funds to extra-budgetary funds, and charitable funds. No matter how noticeable, the movement of money does not in itself reveal the essence of finance.

Sadiqov and Ceferova et al., (2012, p.21) mentioned the developed financial system encourages the development of accountability in 3 areas:

- directs savings to responsible inversions,
- directs capital to possible high-yield investment projects (through monitoring of borrowers, reducing information asymmetry),
- provides an efficient payment system.

At the same time, it is necessary to regulate financial institutions to prevent financial crises that have a long-term negative impact on investment and accountability. Financial management penetrates all elements of the financial system and acts as the most important component of the management structure in a market economy. The basis of financial management is a financial policy based on the analysis of the factors of efficient use of financial resources in the short and long term and defining the activities of financial services.

Moreover, Abbasov stated (2017, p.28) all economic entities involved in economic activity are building multifaceted relations and expanding ties both domestically and internationally. At this point, the need for an objective and thorough assessment of the financial condition of enterprises is becoming increasingly important. This is one of the most important responsibilities of auditors and audit institutions in a market economy.

Auditors who operate completely independently without civil servants are highly qualified specialists in the field of finance, accounting, and control, accountants-inspectors. Audit service, or in short, audit is divided into two types: internal and external audits. The auditor determines the accuracy of the balance sheet, profit and loss statement, the accuracy of the information in the explanatory note. An audit of a financial statement consists of examining the entity's report to give an opinion as to whether the entity's report complies with the established criteria and generally accepted accounting rules. These audit reports are conducted by external auditors invited by the audited company.

Alexander and Nobes clarified that (2004, p.17) financial auditing is the job of disaggregating and testing financial information prepared by management, which is retrospective and structured according to a certain reporting standard, and the integrated claims on which this information is based, through audit procedures designed to find answers to these questions at a reasonable level of confidence.

The accounting process and the preparation of financial statements become more complex as businesses grow and technology advances, and the probability of errors with financial statements increases. In this case, information users cannot be expected to evaluate the quality of the financial statements and measure the degree of compliance with accounting principles and laws.

**1.1 The purpose of the research** is to study the conceptual framework of accounting (especially financial accounting) and international standards, i.e., the generally accepted principles and methods, national and international accounting systems, to study problems in the existing accounting and financial reporting system, to identify areas for improving financial reporting.

The purpose of the Financial Audit is to test the accuracy of the financial statements prepared and presented by the audited company and the management claims related to them and to test the accuracy of the financial statements, in all their significant ways, by the financial reporting standards accepted by the management and approved by the auditor.

Alkaabi and Nobanee (2019, p.4) stated that financial auditing aims to correct and eliminate what is known as material misstatements. These are any false or incomplete information that is large enough to be significant in its own right, in the sense that it can significantly change the external perception of the organization's finances. If the risk of significant records remaining in the accounting records is less than five percent, the financial audit has been completed and the records are left to the relevant parties.

The main way to improve a company's cash position is to focus on efficiency in the working capital cycle, with special priority on accounts receivable management. Better accounts receivable management will reduce the duration of sales receivables, operating costs, non-payment risks, and will assist in the management of payment priorities. Pre-accounting tasks include many details from the company's financial records to daily routine works such as cash, check, bank, or delivery note, from collection transactions to stock follow-up. Because of the great importance of follow-up and meticulous work, it is essential to go in a certain order without causing complexity.

The primary role of accounting is to keep a systematic, accurate, and complete record of all financial transactions of a business. These records are the backbone of the accounting system. Business owners should be able to receive and review transactions as needed. Business owners need to plan how they will allocate their limited resources, such as workforce, machinery, equipment, and cash, to achieve the business's goals. Collins (2012, p.264) emphasized that a key component of business management, budgeting, and planning, it enables businesses to plan by anticipating needs and resources. This helps in the coordination of different parts of an organization.

Financial statements created at the end of the accounting cycle reflect the financial position of a business at that time. It shows how much capital is invested, how much funds the business uses, profit and loss, and the number of assets and liabilities of a business. Financial accounting information produces information about the financial position of the enterprise and its performance the public disclosure of the audited financial reports, the company accounting, and the external reporting system. The financial accounting system provides information, including stocks, to the corporate audit mechanism, directly as well as indirectly.

In addition, the financial accounting system provides information on the evaluation of investment opportunities, facilitating the flow of human and financial capital, and reducing the obstacles to operating difficulties.

## **2. Methodology**

Methods of financial management have a specific historical character, and as economic relations develop at the macro and micro levels. Buckley (2015, p.18) identified the main methods of financial management in the context of developed market relations are forecasting and planning, financing, and lending, self-financing, taxation, insurance, leasing, trust, factoring, collateral, financial incentives, sanctions.

Accounting requires a large amount of data collection and organization of information that can be easily interpreted by management. Business owners need to keep track of operating costs, changing revenues and dividends to make strategic decisions. The financial system can be considered as a form of establishing monetary relations between all subjects of the process of reproduction on the distribution and redistribution of gross public product. In the process of distributing the value of the gross public product of the subjects of economic relations, various monetary income funds are accumulated.

Also, Kothari (1990, p.3) mentioned “Research can either be applied (or action) research or fundamental (to basic or pure) research. Applied research aims at finding a solution for an immediate problem facing a society or an industrial/business organization, whereas fundamental research is mainly concerned with generalizations and with the formulation of a theory”.

Depending on the mechanism of creation and formation of financial resources, Brannen (2005) distinguished three special systems of financial relations:

- ✓ finance of organizations (economic entities);
- ✓ public finance (state and municipal);
- ✓ household.

These subsystems, in turn, are divided into separate parts depending on the mechanism of creation and use of monetary funds of specific economic entities, for example, the financing of commercial organizations, the financing of non-profit organizations, etc.

### **2.1. The object of research**

The object of research is the enterprises and organizations of the oil and gas industry, in particular, the company "SOCAR". As the national oil company of the Republic of Azerbaijan, SOCAR is implementing consistent reforms to increase its international competitiveness, ensure its efficiency and become one of the leading oil companies. These reforms, along with the creation of several new jobs and the creation of new production areas, also create the need to eliminate less efficient and insignificant business processes.

The main reason that SOCAR has been chosen for investigating is the company's aim focuses on ensuring the fuel and energy security of the Republic of Azerbaijan and strategic interests in the development of the oil and gas, petrochemical industry, to support the increase of the scientific, technical, economic, and intellectual potential of Azerbaijan using advanced and environmentally useful technologies, a key position in regional and international energy projects to maximize profits from the sale of hydrocarbon resources and refined products in the domestic and foreign markets. The company is engaged in prospecting, exploration, and development of oil and gas fields in Azerbaijan, production, processing, and transportation of oil, gas and gas condensate, sale of oil and petrochemical products, gas in domestic and foreign markets, as well as industry and population deal with gas supply.

**2.2. The subject of the research** is the process of organizing and improving management accounting in the oil and gas industry. In general, the subject of management accounting is a set of objects at all stages of the production management process.

However, financial accounting information records the assets and liabilities of the enterprise. It has become a tool that not only documents the past but also sheds light on plans and strategies for the future. The rapid increase in international economic relations, the transition to mass production as a result of technological developments, and the growth of the markets as a result of these, and the increase in the needs of the people have directed the enterprises towards being owned by more than one person and the business owner and the business manager have separated from each other.

### **3. Theory of the research**

The general principles and methods of (financial) accounting and reporting and the study of problems in this area are reflected in the works of many economists Abbasov, İ.M., Mammadov, İ.A., Cabbarov, A. S., Ataşov, B., Novruzov.N., İbrahimov, E., Sadıqov, E.A.,

Sadiqov, T.Ə., Cəfərova, Ş.Ə as part of the problems of market relations in economic development. Among the Azerbaijani economists and the works of others are examples of this.

Paramasivan and Subramanian (2009, p.4) stated that “Finance is one of the important and integral parts of business concerns, hence, it plays a major role in every part of the business activities”. There is a great deal of disagreement among economists when it comes to determining the nature of finance. Some of them consider it as a category of financial distribution, others as a category of production and the third group as a category of broad reproduction. On the contrary Alexander and Nobes (2004, p.83) “In accounting, classification should facilitate a study of the logic of, and the difficulties facing international harmonization”. Famá and French explained (2004), “The capital asset pricing model” that is one of the substantial theoretical models which linked with finance.<sup>1</sup>

In addition, some issues related to accounting, budgeting, financial management including computerization of accounting (financial) accounting and reflected in the works of Alexander, D., Nobes, C., Brannen, J., Buckley, A. P., Ittelson, T. R., Mork, K.A., Jones, C and others. According to Hoyle and Skender (2012, p.31) financial accounting is part of the accounting information and reflects information about the financial condition of the enterprise.

Shim and Siegel emphasized (2005, p.1) while investigating financial accounting it is significant to understand the budget process. “A budget is a financial plan to control future operations and results”.

#### **4.Results and discussions**

##### **4.1. Practical problems of financial accounting**

One of the basic inputs of economic activity is financial resources. In today's world, where businesses are growing and financing alternatives are increasing, the questions of where, how much, at what cost, how, and when financial resources should be obtained have gained importance. A policy should be developed to determine how much of the earnings from the enterprise's investments will be used for self-financing of the enterprise and how much will be paid to the shareholders. To ensure the growth and strengthening of the financial structure of the enterprise, the interests of the shareholders should be taken into account while keeping a certain part or all of the profits in the enterprise.

Atashov et al mentioned (2009, p.301), although financial statements are generally the same in different countries, the procedure for their preparation is different. In some countries, the disclosure of accounting information is regulated by law. In other countries, the authors of the report deal directly with this issue. Thus, the reports of economic entities may differ in both external and internal content. As a result of intensive work on consolidation of financial statements over the past twenty years, all Russian organizations, regardless of departmental affiliation, a form of ownership, and organizational-legal form and activity, use a single regulatory framework for accounting. However, to solve the new problems facing financial statements, it is necessary to rationalize the systematization and collection of information.

Besides, Ittelson (2020, p.104) clarified the financial system is a set of separate links of interaction and interacting financial relations. The distribution, formation, and use of funds are carried out through the financial system. The financial system includes financial institutions that serve to regulate the country's financial activities and money circulation. Financial statements - provide information about the financial condition of the enterprise, the financial

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<sup>1</sup> Famá and French (2004) research is influenced by some cases such as long-term capital management and corporate governance

results of its activities, and changes in its financial condition. Examples of financial statements are balance sheets, profit and loss, and cash flow statements.

Users of financial statements include management, investors (shareholders), creditors and lenders, employees, analysts and consultants, government and society, and business contact groups. The group of shareholders includes existing and potential owners. Members of this group should be provided with the information they need to make the right investment decisions.

It is visible that businesses can also generate income outside of their field of activity: such as interest from the securities they hold, dividends, or rental income from real estate or income from the sale of fixed assets. A successful business derives most of its profits from its core business. If most of the businesses in a country have such a tendency, it means that there is a serious crisis in the real economy of that country.

According to Jones (2008, p. 192) in financial economics, the concept of the time value of money and the concept of interest are concepts that are sometimes used interchangeably but contain a cause-effect relationship between them. Wealth must be subject to an accelerated increase over time. The presumption that it is necessary, otherwise it will cause opportunity costs, lays the groundwork for the legitimacy of the interesting phenomenon.

It should be noted that poor countries can find their place in world production through the readiness of their national governments to alter the changes that have taken place in the world economy and international relations. In the neoliberal aspects of the economic logic of this option, it is proposed to build the economy primarily on the pillars of transnational institutions of production, trade, and finance. Based on Guest (2011) in this type of economic system ("borderless economy"), national governments act only as intermediaries between ever-evolving industries.<sup>2</sup>

The emergence of financial markets is objective and has further developed as a result of the continuous activities of the state, as well as enterprises of various organizational and legal forms.

The general direction of building an open economy is expanding. This situation creates a strong basis for the intensification of trade and the development of international financing. There is a need for the emergence of new foreign exchange markets, the expansion of monetary and financial relations between different countries by objective law. Гридчина (2004, p.20) highlighted that the set of monetary relations that determines the settlement and settlement operations between national economies is called international currency relations.

This concept can also be interpreted as a set of economic relations related to the fact that money functions as world money. Money serves foreign trade, capital migration, the conversion of profits into investments, the provision of subsidies and loans, scientific and technical exchanges, tourism, public and private remittances. The modern world monetary system does not function as a separate system but is formed based on the interaction and interaction of national and international monetary systems. As the degree of internationalization of economic life increases, the boundaries between these currency systems are gradually being erased.

In addition, negative trends in a national currency system can harm regional and global monetary systems, and reforms in the regional monetary system can result in significant changes in various national systems and the world monetary system as a whole.

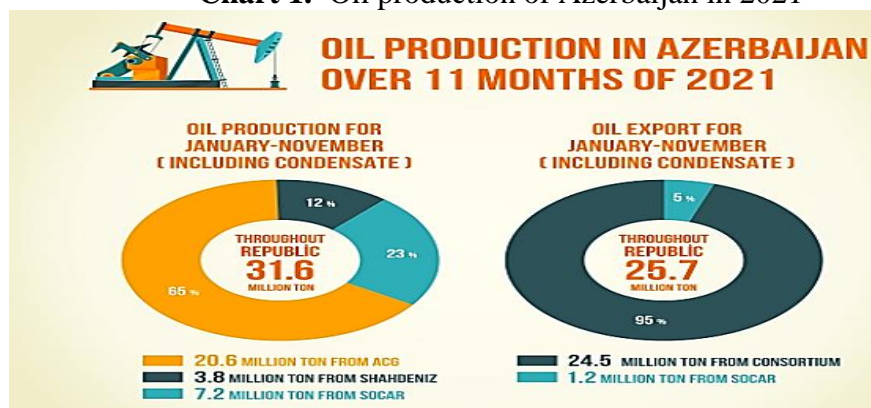
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<sup>2</sup> According to Guest (2011) Borderless Economy can be defined as a Limitless Economy which based on fairness, justice, empowerment, and equality.

#### 4.2. Financial management of oil and gas industry in Azerbaijan

Indicators of crude oil production and exports, in which Azerbaijan plays an important role in the world oil industry, European energy security, and the country's exports, Caspian oil is exported directly to Europe and other markets via the Baku-Tbilisi-Ceyhan, Baku-Novorossk, and Baku-Supsa pipelines. It provides detailed information on the impact of the oil and gas industry on economic growth and recent economic and social achievements in the country. According to BP (2021) Azerbaijani oil is exported to the world market under the high-quality Azeri Light brand, mainly sold in European and Asian markets. In 2010, Azerbaijan's oil exports peaked at 967,000 barrels per day, with the main strategic oil fields being Azeri-Chirag-Guneshli and Shah Deniz. According to the chart below oil production in throughout Azerbaijan Republic was 31.6 million ton from January to November. At the same time oil export was totally 25.7 million ton.

**Chart 1.** Oil production of Azerbaijan in 2021



Source: [minenergy.gov.az](http://minenergy.gov.az)

The idea of the asymmetric effect of oil prices on economic activity was first proposed by Mork (1989). To determine the asymmetric correlation, Mork identifies the decline and rise in oil prices as a different endogenous variable by reacting asymmetrically to changes in oil prices (Mork 1989, 741). There is no adverse effect of macro variables on oil price variables, i.e., macroeconomic variables selected from Azerbaijan do not give Granger-type causation to exogenous global oil prices. In other words, neither Azerbaijan's production nor the country's macroeconomic variables can influence world oil market prices. According to Corden, rising oil prices lead to higher wages or revenues in the oil and gas sector, indirect budget expenditures (generated from taxes and other sources), or direct costs of company owners provide positive revenue elasticity for non-trade (non-oil) sector demand. It draws resources from the oil and gas sector to the non-commercial sector and causes inflation in these sectors (Corden 1984, 359-363).

The Republic of Azerbaijan retained control and management of the development of oil fields and the right to own oil and gas reserves in three offshore fields.

In this process, income would come from 3 sources:

- With income arising from the right of ownership of natural resources;
- Income from participation in investment in the development of fields;
- Revenues related to tax allocations to the republican budget in the amount of ¼ part of the consortium's income.

### **4.3. Financial analysis of SOCAR and SOFAZ**

Today, the number of reserves accepted in the unspecified average is higher than in many major oil-producing countries, and even in some OPEC countries with high oil exports. Due to the operation of the gas transport infrastructure, especially the Baku-Tbilisi-Erzurum gas pipeline, Azerbaijan has become an important gas exporter to the West and one of the providers of global energy security. An important part of the oil strategy was the creation of a multi-option pipeline transport infrastructure that would ensure the large-scale transportation and export of oil and gas produced jointly with foreign companies.

SOCAR is the largest taxpayer of the state budget, the largest exporter of the country, the largest creator of national income, and the largest employer. Most importantly, it is a state-owned company, and unlike private businesses, its activities must be open to the public. Even if it is necessary, the legislation should make it a legal condition for the company's management, as representatives of the supreme and central authorities, to declare their income and property status. SOCAR's financial performance reports have long been prepared based on international accounting standards. However, there is a reality that these standards set requirements for the minimum allowable level of information openness. Not only are there no restrictions on making information available to the public on a larger scale, but companies that do so make transparency a priority for them. More precisely, an arbitrary company can prepare and disseminate a report under this standard, as well as provide more information, and the legislation does not impose restrictions on it.

In addition, according to EY financial report (2020, p.46) in the first quarter of this year, SOCAR received 1.85 million. tons of oil and 1.56 bln. cubic meters of gas were produced, oil production increased by 1.1% compared to January-March last year, while gas production decreased by 0.6%. In terms of exports, Azerbaijan in the first quarter of 2019 amounted to 3.2 billion. cubic meters of gas, an increase of 27% compared to the same period last year. The main reason for the increase in gas exports by the country and SOCAR is the start of transportation of Shah Deniz-2 (second phase of field development) gas to Turkey through the Southern Gas Corridor project. So far, 1.4 billion cubic meters of gas have been transported through the pipeline cubic meters of commercial gas was transported.

It is possible to observe net increase in cash and cash equivalents were 114 (Petkim)<sup>3</sup> and 12 (Polymer) in 2019. On the contrary net decrease in cash and cash equivalents were 187 (Petkim) and 4 (Polymer) at the same year (See Appendix 1). Today, SOCAR also controls about 25 percent of the retail market for oil products in Georgia. In addition, there are 114 SOCAR-branded gas stations in Georgia (SOCAR, 2021).

The State Oil Fund of the Republic of Azerbaijan (SOFAZ) started its activity in 2001 and all oil revenues are collected in this organization. The main goal of the Foundation is to distribute natural resources fairly among present and future generations. Another important factor is to ensure macroeconomic stability and protect the local money market from increasing foreign exchange inflows. The creation of such a fund was a step forward. Thus, from an economic point of view, it is more profitable to keep the proceeds from the sale of hydrocarbons separately than to allocate this money to the revenue side of the budget. Such experience exists in Norway, Russia, Thailand, Kazakhstan, and many other countries.

According to SOFAZ (2021), although in the initial budget calculations the export price of crude oil was set at \$ 45 per barrel, then the state and consolidated budgets were

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<sup>3</sup> Petkim-specializing in petrochemical manufacturing and producing [ethylene](#), [polyethylene](#), [polyvinyl chloride](#), [polypropylene](#) and others.

clarified and the price was set at \$ 50. Accordingly, SOFAZ's budget figures have been recalculated. According to the Law on the State Budget of the Republic of Azerbaijan for 2022, the transfer of SOFAZ to the state budget next year will be 12.71 billion. manat, which is 4.2% more than in 2020.

#### **4.4. National and international accounting standards of enterprises**

National and international accounting systems consist of several similar elements. However, these elements perform different tasks and functions and reflect the conditions of the general system.

Shick (2002, p.13) noted that budget organizations shall prepare the following reporting forms by the National Accounting Standards for Budget Organizations:

- Report on the financial situation;
- Report on financial activities;
- Report on changes in equity;
- Cash flow statement;

The standards distinguish between accounting and tax benefits. Given that tax returns are prepared based on tax legislation, the profit from these reports reflects the profit for tax purposes. Thus, following the tax legislation, expenses that are not deductible and limited to income are recognized as expenses in financial accounting and play a role in determining profit.

Currently, accountants think that the transition to national and international standards is very difficult. For implementing the Standards, the organization must first develop an accounting policy. The accounting policies reflect the depreciation and measurement methods and standards to be used. After that, the organization's working chart of accounts is prepared by International Financial Reporting Standards. Based on this working chart of accounts, the correspondence of accounting accounts is prepared by the specifics of the organization's work, taking into account international requirements. Following this, the balances of all the accounts of the organization a year ago should be examined to transfer from the balances of the old accounts to the new accounts for carrying out the conversion. For this reason, professional accounting circles have tried to classify the national accounting systems used in different countries into historically different groups.

The development of the capital market is the main defining criterion influencing the formation of more general approaches to the organization of accounting. The main function of capital market development is to provide economic entities with additional financial resources. Thus, the attraction of additional financial resources to the economy of any country is carried out through financial institutions, free capital of legal entities and individuals, as well as targeted funding by government agencies. In this case, each owner (investor) who provides their funds tries to provide more income and also to get a guarantee for the return of their investment.

Unlike the CIS countries<sup>4</sup>, the Republic of Azerbaijan imposes fines for violation of accounting legislation and failure to prepare financial statements. Choi and Meek (2011, p.6) stated that "international business transcends foreign trade and is increasingly associated with foreign direct investments, which involve operating production or distribution systems abroad by way of a wholly or majority-owned affiliate, a joint venture, or a strategic alliance".

To avoid financial challenges, it is vital to analyze, assessing and identify risk mitigation areas is to classify the risks and identify the causes. There are different classifications

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<sup>4</sup> There are nine member states of the Commonwealth of Independent States (CIS) and Azerbaijan is one of them.

of risks, among which the most important characteristics for a company are time, factors, location and extent of risks, the nature of the consequences, and the number of possible losses. Documentation and reporting aim to exchange information on the Enterprise's risk management activities and results, provide information for decision-making, improve risk management and facilitate interaction with stakeholders, including those responsible for risk management activities.

Thus, during its development, each country uses accounting systems, depending on the choice of priority solutions to common economic problems and sources of funding. However, the existence of quite different approaches to the formation of accounting systems complicates international integration and access to international capital markets in world practice. The solution to this problem is possible only through the formation of financial statements following international standards and accounting principles.

### **5. Conclusions**

Consequently, the unified harmonization of national accounting systems of different countries is important, first of all, for potential foreign investors. Thus, foreign investors need to have clear, transparent, and realistic financial statements of the relevant business entity that is the object of investment.

In this regard, the annual reports on SOCAR as a whole, as well as on the results of individual investments in its joint ventures and affiliates, would be an important contribution in terms of transparency and coverage. The distribution and control functions of the state budget are closely interrelated. Any distribution is not carried out without control, i.e., after the money is directed to different areas, it is strictly controlled to spend it sparingly by its purpose. These functions reflect the essence of the state budget and are closely linked to all sectors of the economy.

Furthermore, these functions are mainly considered as distribution and control functions. All this together forms the mechanism of the state budget. The state solves its socio-economic problems through the budget mechanism, plays a key role in the development of material production and non-production.

### **6. Acknowledgment**

I would like to acknowledge the help provided by the technical and support staff of SOCAR and Azerbaijan National Academy of Sciences, Institute of Economy.

## 7. Appendices

### 1. SOCAR statement profit and loss

	<b>Petkim</b>	<b>SOCAR Polymer LLC</b>
Revenue	3,495	52
Cost of sales	(3,043)	(38)
General and administrative expenses	(87)	(27)
Distribution expenses	(32)	(8)
Other operating income	111	-
Other operating expense	(104)	(14)
Interest revenue calculated using effective interest method	39	2
Finance costs	(133)	(19)
Foreign exchange gain	(22)	-
<b>Profit(loss)before tax</b>	<b>224</b>	<b>(50)</b>
Income tax expense	(28)	(38)
<b>Profit(loss) for the year from continuing operations</b>	<b>196</b>	<b>(88)</b>
Other comprehensive loss to be reclassified to profit or loss in subsequent periods	(229)	-
<b>Total comprehensive loss</b>	<b>(33)</b>	<b>(88)</b>
Attributable to non-controlling interests	(16)	(37)

Summarised statement of financial position as at 31 December 2020:

	<b>Petkim</b>	<b>SOCAR Polymer LLC</b>
<b>Current assets</b>	<b>2,738</b>	<b>167</b>
including:		
Cash and cash equivalents	1,268	13
Trade and other receivables	397	27
Inventories	225	50
Other current assets	848	77
<b>Non-current assets</b>	<b>1,836</b>	<b>1,297</b>
including:		
Property, plant and equipment	1,542	1,218
Intangible assets	162	25
Other non-current assets	132	54
<b>Current liabilities</b>	<b>(1,367)</b>	<b>(60)</b>
including:		
Short-term borrowings and current portion of long-term borrowings	(538)	-
Lease liability, current	(17)	-
Trade and other payables	(812)	(60)
<b>Non-current liabilities</b>	<b>(1,527)</b>	<b>(1,048)</b>
including:		
Long-term borrowings	(1,319)	(1,004)
Deferred income	(84)	-
Other provisions for liabilities and charges	(41)	-
Deferred tax liabilities	(83)	(42)
Lease liability, non-current	-	(2)
<b>Total equity</b>	<b>1,680</b>	<b>356</b>
Attributable to:		
Equity holders of parent	856	224
Non-controlling interests	824	132

	SOCAR	
	Petkim	Polymer LLC
<b>Current assets</b>	<b>2,732</b>	<b>112</b>
<i>including:</i>		
Cash and cash equivalents	1,154	1
Trade and other receivables	446	55
Inventories	270	50
Other current assets	862	6
<b>Non-current assets</b>	<b>2,071</b>	<b>1,367</b>
<i>including:</i>		
Property, plant and equipment	1,715	1,350
Intangible assets	204	10
Other non-current assets	152	7
<b>Current liabilities</b>	<b>(1,467)</b>	<b>(308)</b>
<i>including:</i>		
Short-term borrowings and current portion of long-term borrowings	(708)	(101)
Lease liability, current	(14)	-
Trade and other payables	(745)	(207)
<b>Non-current liabilities</b>	<b>(1,475)</b>	<b>(705)</b>
<i>including:</i>		
Long-term borrowings	(1,282)	(666)
Deferred income	(56)	-
Other provisions for liabilities and charges	(41)	-
Deferred tax liabilities	(96)	(33)
Lease liability, non-current	-	(6)
<b>Total equity</b>	<b>1,861</b>	<b>466</b>
<b>Attributable to:</b>		
Equity holders of parent	949	286
Non-controlling interests	912	180
Summarised cash flow information for year ended 31 December 2020:		
	Petkim	SOCAR Polymer LLC
Operating	620	36
Investing	(191)	(57)
Financing	4	33
Net foreign exchange difference on cash and cash equivalents	(319)	-
<b>Net increase in cash and cash equivalents</b>	<b>114</b>	<b>12</b>
Summarised cash flow information for year ended 31 December 2019:		
	Petkim	SOCAR Polymer LLC
Operating	414	40
Investing	(187)	(10)
Financing	53	(34)
Net foreign exchange difference on cash and cash equivalents	(93)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>187</b>	<b>(4)</b>

Source: SOCAR, 2020.

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