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ABSTRACT

of the submitted dissertation for the degree of
Doctor of Philosophy in Economics

**ACCOUNTING AND EVALUATION OF THE
RATIONAL USE OF LEASING OPERATIONS IN
THE AGRICULTURAL SECTOR**

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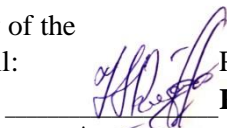
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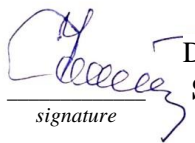


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GENERAL CHARACTERISTICS OF THE WORK

The actuality of the issue: the agricultural sector is the source of food supply, which is an integral part of the national security of each country. Development of the agrarian sector depends, first of all, on the efficient use of machines and mechanisms, which are the main means of production.

State-run socio-economic development of the regions successfully implemented in our country in 2004 has resulted in increased economic potential in all areas of the regions, including the agrarian sector, improving business and investment environment and improving the welfare of the population, thereby making a significant contribution to achieving the country's strategic development goals and objectives. The implementation of the State Program on the Socio-Economic Development of Regions of the Republic of Azerbaijan, covering 2009–2013 and 2014–2018, provided great opportunities for the development of entrepreneurship, including agricultural production. The next State Program for 2019-2023 aims to continue this success.

Order “On Additional Measures to Improve the Market for Agricultural Products and the Sales Market” dated January 22, 2014, signed by the President of the Republic of Azerbaijan with particular attention to creating a favorable business environment in the country, Order. No. 800 of December 29, 2012 approving the Concept of Development “Azerbaijan 2020 - Looking into the Future” and Order No. 152 of April 16, 2014 “On Measures to Accelerate Management in the Agrarian Sector”, in connection with the implementation of Decree No. 1138 of December 6, 2016 "On Approval of the Strategic Roadmap for the National Economy and Major Sectors of the Economy" are considered important documents in the country that will ensure the development of the agricultural sector, which is an important direction of the national economy, and, as a result, the growth rate of agrarian production in the current situation significantly increased compared with previous years. From this point of view, it should be noted that the total gross product of 2017 has been increasing in comparison with 2016, while the share of the

agrarian sector in the gross domestic product is 6%. Looking at the outcome of 2019 GDP increased by 2,2 percent compared to 2018. 5.7% of the gross national product fell on agriculture. Sustainable development of the agrarian sector depends, first of all, on the efficient use of machines and mechanisms in the cultivated lands, as well as the conduct of operations and the organization of accounting on leasing products.

The issue of restoration and renewal of agricultural machinery, machine-tractor park is very important. In recent years, there has been a tendency to reduce the technical potential of our country, and thus there is a need to look for new opportunities to upgrade machinery and equipment. We believe that leasing is the only real opportunity for agricultural producers to replace obsolete equipment with new ones. Despite the adoption of the law on leasing in the country in 1994, "Agroleasing" Open Joint-Stock Company, an organization carrying out leasing activities in the agricultural sector, was established on March 31, 2005, thus creating favorable conditions for the development of leasing relations in the agricultural sector. According to the Decree No. 413 "On improving state support of agriculture and leasing activities in the agricultural sector" signed by the President of the Republic of Azerbaijan Mr. Ilham Aliyev on December 20, 2018 the Agrarian Credit and Development Agency under the Ministry of Agriculture of the Republic of Azerbaijan has been established as the body regulating leasing relations, and the development of leasing has entered a new stage .

Technological modernization of the material and technical base of agricultural entities requires a significant amount of investment, and leasing is considered to be the most effective tool in overcoming this problem in modern times. The advantage of leasing is that you need very little start-up capital to start or grow a business. In this case, while the production of products (services) continues, the renewal of machinery and equipment without the need for other collateral may bring additional income to the manufacturer.

Effective use of leasing can affect the volume of gross output in the agricultural sector and the rapid development of production. On the basis of the current issues, the selection of the dissertation work

on the topic " Accounting and evaluation of the rational use of leasing operations in the agricultural sector" was determined.

In modern conditions, economic scientists of our republic such as Z.A.Samadzade, S.M.Sabzaliyev, J.B.Namazova, İ.M.Abbasov, Q.A.Abbasov, F.Sh.Hajiyev, E.A.Quliyev, E.R.Ibragimov, B.Kh.Atashov, I.Kh.Ibrahimov V.M.Guliyev, Kh.A.Jafarli, A.S.Salahov, S.M.Suleymanov, I.G.Alyev, Sh.M.Muradov, A.G.Nuriyev, A.S. Gasimov. carried out scientific studies with the aim of analyzing the organization of leasing operations, regulating leasing relations, accounting and analyzing efficiency in the agrarian sector of the national economy. The research of foreign scientists in the field of agriculture such as M.B.Karp, A.U.Lefkovich, I.N.Buzdalov, A.V.Petrikov, V. M.Dzhukha, N.A.Popov, V.U.Limarev, A.N.Senin, E.A.Firsova, O.S.Gulubova, K.Eklund, N.A.Rusak, V.D.Gazman, X.P.Ber, P.I. Vakhrin, L.B. Dukanich, J.N.Egorova, Yu.V.Kabatova, P.I. Koberg, F.D.Faboti, F.G.Fabozzi, and others reflects the problem of organizing leasing operations, regulating leasing relations, accounting and analyzing the effectiveness of using leasing investments.

The object of the research. Enterprises serving and using the renewal of the machine-tractor park in the agrarian sector of the country, as well as "Agro-leasing" OJSC.

The subject of the research. Important in the regulation of leasing relations in the agricultural sector is the preparation of transparent financial statements as a result of accounting for agricultural machinery and equipment in accordance with IFRS, analysis of these operations, ways to improve the efficiency of use, correct choice of methodology for calculating lease payments.

Purpose and tasks of the research. The purpose of the research is to substantiate economically and theoretically leasing operations, analyzing the conditions of leasing, learn about its current state, determine the direction of efficiency increase, based on the method of accounting for leasing operations, comparing the accounting of leasing operations with the indicators of other countries, make reasonable suggestions and recommendations on how to evaluate and develop improvements in order to assess the effectiveness of

accounting and the use of leasing operations aimed at improving logistics in the agricultural sector. To achieve this goal, the following tasks have been identified:

- distinguish the nature and types of leasing transactions on economic theoretical basis;
- to define the purpose, importance and perspectives of leasing project financing on a theoretical basis;
- determine the current state of the agricultural sector by analyzing the logistical support;
- determine the accounting principles and problems of taxation of leasing and leasing operations on a methodological basis in the agricultural sector as part of the national economy;
- to analyze the condition of material and technical supply of those involved in the production of leasing operations in the agrarian sector;
- to analyze the impact of leasing operations on the development of production in the agricultural sector;
- to analyze leasing payments in the agrarian business entities;
- to determine ways of improvement the development of agro-leasing operations by assessing its effectiveness in the regions of the country.

Methods of the research. Information from the State Committee on Statistics of the Republic of Azerbaijan, the Ministry of Agriculture of the Republic of Azerbaijan, the Ministry of Taxes of the Republic of Azerbaijan, the State Customs Committee of the Republic of Azerbaijan, the data of the report of the open joint-stock company “Agro-leasing”, the annual accounting and reporting data of leasing companies, other official legal documents and also a statistical internet database were used as the information base of the research.

Dialectical, systematic approach, table, economic-statistical analysis and other methods were used in the research.

The main provisions of the defense.

- clarification of the importance of leasing in updating the material and technical base in the agricultural sector;

- clarification of the rights of participants in the context of obtaining tax benefits and privileges for leasing financial, operational, leasing, as well as other types of leasing, such as "hire-purchase" and repayable leasing;

- identify the advantages and disadvantages of the leasing model, taking into account local economic conditions, justify the application of this model;

- elimination of disagreements in legislative acts as a result of assessment of the existing normative base regulating the field of leasing;

- clarification of the rights of participants in leasing transactions in the Tax Code of the Republic of Azerbaijan on the application of a special acceleration factor for the main depreciation rate;

- determination of the characteristics of the participants of leasing operations in the accounting of these operations;

- substantiation of drawing up a working chart of accounts in addition to the accounting policy in accordance with the Law of the Republic of Azerbaijan "On Accounting" for the accounting of valuables leased by the business entity and not classified as fixed assets;

- clarification of accounting and taxation of leasing operations for the purpose of preparation of transparent financial statements;

- assessing the effect of the method of reflecting the costs associated with the leased asset on the financial results of the organization;

- identification of problematic aspects of the registration of the movement of leased property;

- determination of the use of discount valuation in the calculation of leasing payments;

The scientific innovation of the research consists of the following:

- the economic essence of leasing transactions has been clarified on a scientific basis;

- the use of more progressive and efficient leasing types in the leasing operations has been identified;

- basics of economic and legal regulation of leasing transactions in leasing relations system have been identified;
- the current state of the leasing has been determined with taking into consideration its role in the development of the agrarian sector;
- taking into consideration the role of the leasing in the development of the agrarian sector, its current state has been determined;
- the methodology of accounting for leasing operations has been clarified;
- the compliance with the international standards has been determined by comparative analysis of leasing transactions' performance indicators with foreign countries;
- the tax base was determined by distinguishing the characteristics of the taxpayer for leasing and leasing operations;
- the use of discounted valuation in the calculation of leasing payments has been determined;
- increasing the efficiency of leasing operations, the main areas of improvement and development prospects have been found.

Theoretical and practical significance of the research. The theoretical basis of the research is the works of Z.A.Samadzade, S.M.Sabzaliyev, J.B.Namazova, I.M.Abbasov, G.A.Abbasov, F.Sh.Hajiyev, E.A.Guliyev, E.R.İbrahimov, I.H.Aliyev, I.H.Ibrahimov, B.H.Atashov, V.M.Guliyev, Sh.M.Muradov, H.A.Jafarli, A.S.Salahov, S.M.Suleymanov, A.H.Nuriyev, A.C.Gasimov, Ch.R.Yuzbashov, Yu.A. Babaev, I.A. Blank, H.P.Ber, V.D. Gazman, V.A. Goremykin, A.T. Ivasenko, N.P. Kondrakov, F. Fabozzi, P. K. Nevitt, D. Porter and other scientists.

The practical significance of the dissertation research is that the results of the dissertation can be used to effectively conduct leasing operations in the agricultural sector of the Republic of Azerbaijan. The usage of agricultural machinery and equipment which meet the modern world standards in the agricultural sector, their correct accounting, the use of the proposed methodological techniques in practice, analyzing the effectiveness of leasing operations make it possible to determine the effectiveness of the implementation of agroleasing projects.

Investigation and application of the research results. The main provisions of the thesis are the scientific results presented in articles published at international and national conferences, in articles published in influential journals abroad and throughout the country, reports compiled and approved at scientific seminars with the participation of leading scientists and academicians. At the same time, scientific developments have been included to the manuals and curriculum that I have been co-authored. The results of the scientific research and relevant recommendations have been offered to the Agricultural Department of Shamkir District of the Ministry of Agriculture of the Republic of Azerbaijan and "Goran Cotton" LLC and have been approved for the practical usage.

One of the proposals put forward by the Agricultural University in accordance with the "Azerbaijan 2030 National Priority for Social Development" is to strengthen the national economy, to ensure the effective use of leasing for the development of agriculture in our liberated ancient lands.

The organization where the dissertation work is performed. Implemented at the Department of "Accounting and Auditing" of the Azerbaijan State Agricultural University.

Structure and volume of dissertation. The dissertation consists of an introduction (12353 characters), 3 chapters (Chapter I - 121083, Chapter II - 72643, Chapter III - 38172 characters), conclusion (6719 characters) and references (149 titles), the total volume is 158 pages (251845 characters). 4 tables, 6 schemes were used in the dissertation and 3 appendices were given to the dissertation.

STRUCTURE OF DISSERTATION WORK

Introduction

Section I. Economic and theoretical basis of regulation of leasing operations in the agricultural sector.

- 1.1. The role of leasing in the development of agrarian sector in Azerbaijan, the effectiveness and current state of financial support for it
- 1.2. Purpose, importance and development directions of leasing project finance
- 1.3. Fundamentals of economic and legal regulation of leasing transactions in the system of leasing relations

Section II. Features of accountability and taxation problems of leasing operations in agricultural sector.

- 2.1. Accounting methodology of leasing and leasing transactions
- 2.2. Features of taxation for leasing and leasing transactions
- 2.3. Problems of accounting and taxation of types of leasing and leasing transactions

Section III. Analysis of performance, evaluation and development prospects of leasing operations in the agricultural sector.

- 3.1. Calculation method of leasing payments in the agricultural sector.
- 3.2. Discount assessment usage analysis during the calculation of leasing payments
- 3.3. Analysis, evaluation and development perspectives of leasing operations effectiveness

Conclusion

Used literature

THE MAIN CONTENT OF THE RESEARCH

The economic essence, types of leasing operations, the purpose, significance, directions of development of leasing project financing, bases of economic and legal regulation of leasing transactions in the system of lease relations, the role of leasing in the development of agrarian sector in Azerbaijan, the effectiveness and current state of financial support are researched in the first chapter of the dissertation entitled "**Economic and theoretical bases of regulation of leasing operations in the agrarian sphere**".

Economic development is inextricably linked with investment. Investments participate in the development of our economy in various forms, including leasing operations. An alternative way of financial support to the investment process is leasing, with which the company can quickly solve the problem of obsolescence of the fleet of machinery and equipment without buying expensive equipment, but only temporarily using it. We believe that the use of credit through the leasing mechanism will have a significant impact on the development of economic potential in our country, thus contributing to the development of the market and healthy competition.

An unequivocal opinion on the economic nature of leasing has not yet been formed, and this issue remains controversial in theory and practice. In general, leasing is a set of economic and legal relations for the acquisition of property at the expense of borrowed funds and their subsequent lease. In other words, leasing involves the acquisition by a specialized leasing company (lessor) of the property identified by the lessee from the seller and the temporary possession or use of the lessee, thereby securing the right to purchase the property. Leasing is a multifaceted financial instrument, so any definition of it can be considered limited, because it is very difficult to take into account all possible forms of its manifestation.

The role of leasing in investment activities is of great importance. In the current pace of scientific and technological progress, radical changes are taking place in the tools and means of production offered on the market, replacing one generation of equipment and machinery with a new generation. In each country, the activity of leasing

companies is dominated by one or another form of leasing. From this point of view, the methodology of leverage leasing in financing large investment projects is presented. Distinguishing the essence of the theoretical and methodological aspects of the new mechanism for financing large-scale investment leasing projects has increased the relevance of the research.

Modernization of the national economy and a significant increase in investment require new, original approaches that reduce the cost of financial resources that have not been used before, but are involved in increasing the timing and volume of financing. The leasing model can also help. In international practice, this model is considered as one of the most complex forms of leasing financing, as it involves the harmonization of the interests of many participants in large-scale investment projects.

Levered Leasing research examines the approaches of professors from a number of foreign countries, mainly from prestigious US universities, as Peter Nevitt, Frank Fabozzi, Sudhir Amembal, Peter Athanasopoulos, Peter Bacon, Robert Capettini, Prakash Deo, Richard Grimlund, Arnold Gough, Ian Sharnk, Cames Van Horne and the main advantages of using this model for the national economy. In our opinion, a thorough adjustment of existing legislation can help increase the motivation of potential users of this model.

Therefore, it is expedient to generalize foreign experience, determine the usefulness of this mechanism for mobilization of funds, saving resources and investment leasing activities; to identify the advantages and disadvantages of the model, theoretically and practically substantiate the application of this model, taking into account local economic conditions. This means that a national modification of the leasing model will need to be developed and scientific recommendations for its use developed.

Leasing is an important part of investment policy in most countries, a real catalyst for the modernization of the production base, the main method of financing innovation. It should be noted that the largest sector in the Azerbaijani economy after the oil sector is agriculture. Agriculture is one of the main areas of the agro-industrial complex, the main purpose of which is to provide food and

environmental security to the population, to accelerate socio-economic development in all regions, to produce raw materials for the processing industry, to organize agricultural and livestock production on the basis of modern technologies, to eliminate the disproportion between agricultural products and processing, to create the infrastructure necessary for the production and processing of agricultural products.

On the instructions of President Ilham Aliyev exemption of farmers from land tax , giving subsidies for fuel and lubricants used by them, sale or leasing of fertilizers, agricultural machinery, technical equipment and breeding animals to entrepreneurs working in the agricultural sector at discounted prices are only part of the benefits provided to those engaged in agricultural production. In recent years, up to 80 percent of soft loans are provided to entrepreneurs operating in the regions, especially those working in the agricultural sector.

During 2017-2019, technical means, cattle, fertilizers and other goods purchased by Agroleasing Open Joint-Stock Company in the Republic of Azerbaijan on a preferential basis decreased compared to the previous year. The main reason for this decline was the fact that at the end of last year there was one supplier operating in the agricultural market, ie Agroleasing, now there are 35 suppliers, and any legal entity or individual can freely enter this market. At the same time, the 70% discount applied by the state for the sale of fertilizers has facilitated the work of farmers. On the other hand, the state support for fuel and motor oils used in the cultivation of each hectare was increased to 40 manat.

Leasing business has a greater advantage in developed countries. Over the past 15 years, the volume of leasing operations in these countries has increased fivefold. More than 95% of the leasing market is in North America, Europe and Asia. The table below shows the 16 leading countries in terms of leasing market size in 2019:

Table 1.1.3

The volume of the leasing market by country in 2019

Row №	Countries	The annual volume billions of dollars	The growth rate in 2019 compared to 2018
1	USA	410,35	6,9
2	China	265,68	20,42
3	England	92,45	5,18
4	Germany	78,32	7,29
5	Japan	60,47	- 2,00
6	France	49,78	8,69
7	Italy	33,63	12,89
8	Australia	31,49	2,10
9	Canada	26,46	2,70
10	Sweden	24,88	10,50
11	Russia	20,06	46,68
12	Poland	19,11	15,72
13	Switzerland	13,59	0,27
14	Korea	12,00	5,30
15	Denmark	11,95	0,31
16	Taiwan	11,83	8,08

Source: The table is compiled by the author on the basis of statistical indicators "Word leasing Yearbook 2020"

In our opinion, the proper organization and development of leasing relations at the regional level, as a result, improves the financial condition of business entities, leads to increased revenues.

The dissertation examines the purpose, significance and directions of development of financing of leasing projects, identifies important features of project financing in a specialized lending system, identifies potential opportunities for practical analysis of leasing in this area, provides information on the participants in leasing legal relations, analyzes the statistics of the project financing and its analytical indicators, forms the concept of leasing, explains the advantages of leasing and its risks, as well as some features of operational leasing and leasing on a return basis. In order to systematize the different points of view, the generalized opinion expressed in the norms of the Basel Committee on Banking Supervision "International Convention on Capital Measurement and Capital Standards: Clarified Framework Approaches" (Basel II) was used.

The study assessed the existing regulatory framework governing the field of leasing and examined the differences, contradictions in the legislation, the rights of the lessor and the lessee.

Historically, two approaches have been considered to determine the legal nature of a lease. Under the first approach, property rights are determined over the lessee's leased property. In this case, the sale of the item or other alienation of the owner does not invalidate the previously concluded lease agreement. The determining factor of the transaction is, first of all, as a material object, the leased item.

According to the second approach, the lease, on the contrary, does not define the rights of the property between the lessee and the leased property, ie it is an obligation. This approach was typical of a number of civil law scholars in the early 19th century. As a result of the sale or alienation of the property by the owner, the lease agreement concluded between the former owner and the lessee of the property was terminated immediately. In this case, the contract comes to the fore, and in the case of the sale of the leased object, the logic of thinking is as follows: the status and economic conditions of the parties to the contract have changed significantly, so the contract is terminated.

In the second chapter of the thesis, devoted to the problems of accounting and taxation of leasing in the agricultural sector, the methodology of accounting for leasing and leasing operations, features of leasing taxation, the directions of problems of accounting and taxation of types of leasing were studied.

It should be noted that the accounting of leasing and rental operations in the agricultural sector of the national economy is carried out in accordance with the Law of the Republic of Azerbaijan "On Accounting" and International Financial Reporting Standards and accounting correspondence is compiled according to the chart of accounts. The research examines the problems of accounting and taxation of transfers reflecting double entries in accounting on the basis of long-term and short-term receivables, operating income, expenses and income for the next reporting period, sales and other operating income, long-term and short-term receivables from buyers and customers, long-term and short-term payables from suppliers and contractors, tax and other mandatory payments, profit (losses) and

other reporting indicators on financial and operating leases under the terms specified in the lease agreements between the lessor and the lessee, which is the basis for leasing and rental operations.

When checking the lease accounting of OJSC Agroleasing, as an economic entity engaged in leasing and leasing operations in the agricultural sector as a property complex, it was found that when any administrative property of the company is leased as a property complex, the generally accepted rule is used to reflect in the leasing reports of fixed assets, that is, to record them in off-balance accounts.

We believe that in order to systematize and visually interpret accounting records, the accounting of lease transactions should be defined on the basis of relatively specialized separate sections:

- registration of leased property;
- accounting for settlements under the lease agreement;
- accounting for repair and capital investment of leased property;
- registration of lease of the enterprise as a property complex;
- accounting for the return of leased property.

Taxation of lease transactions can be considered in different ways, as their different types, including leasing, have a number of characteristics that are important in the collection of taxes. During the study, taxation issues typical of the whole complex of lease relations were considered.

In the current situation, the study of the problems of accounting and taxation of types of leasing and leasing operations, the study of various situations that are not typical for this type of activity is the subject of discussion. In this regard, options for resolving disputes, including the correct reflection of the lessee's interest expenses under the Tax Code, depreciation, repair and other costs calculated with the consent of the lessee and the lessor, have been explored.

As a result of the research, we summarize some of the results obtained in connection with the methodology of accounting for leasing and rental operations in the agricultural sector as follows:

First, the accounting of these transactions is generally characterized by a certain degree of research and, in all respects, meets the requirements of International Financial Reporting Standards for the organization of accounting for those transactions. In particular, the

leased property is recorded separately by the parties to the transaction, but is not removed from the lessor's (owner's) balance sheet. Revenues and expenses related to the transaction should be recorded in the appropriate accounts, depending on the economic content of the transaction.

Second, it should be noted that the procedure for reflecting individual transactions related to the registration of the lease depends directly on the terms of the contract. Thus, this applies to the obligation to repair and maintain the property, the terms of purchase of the property, and so on. According to the current legislation, if such conditions are not provided for in the contract separately and are not disclosed, the general rule provided for in the Civil Code of the Republic of Azerbaijan shall apply. In this regard, it is advisable to specify in the lease agreement all the obligations of the parties in full, although reference is made to the general rules for the conclusion of contracts to avoid difficulties that may arise in the accounting of individual transactions related to the lease.

Third, certain issues related to the organization of current lease accounting are not reflected in the legislation at all and (or) in most cases, are disclosed unilaterally. Thus, the investigation involves the organization of accounting for the purchase of property that is the subject of leasing and rent. The freedom of contractual practice under the existing legislation leads to the emergence of numerous options in the actions of the parties and the principles of settlement between them. There is no single, general methodology for recording such transactions, so in this case the organization of accounting should be based on the economic nature of the transaction. It should also be noted that under the new IFRS 16, Leases, which came into force in January 2019, each lease (with a few exceptions) will now result in the lessee's balance sheet reflecting assets and liabilities, a unified accounting model will be applied to all types of leases. The term "operating lease" (IAS 17) no longer exists for them and will be considered any lease financing transaction for the lessee.

The third chapter of the dissertation examines the analysis, assessment and prospects of development of the effectiveness of leasing operations in the agricultural sector. The method of

determining rental payments in the agricultural sector is of great importance both for the organization of accounting and for the purposes of taxation of participants in leasing transactions. Calculation of a profitable payment amount is one of the most important aspects of financial planning in the management system of all parties to the agreement, which provides the leaser with the opportunity to achieve a certain level of profitability that is not lower than the average rate of return on investments, and the lessee the opportunity to receive the appropriate level of expenses under certain conditions.

In our opinion, the calculation methodology is especially important in financial lease (leasing) transactions. In essence of the operation, the leasing company provides equipment to the lessee in some respects by leasing it. It is clear that the total amount of leasing payments should not only cover the actual cost of the leased asset from the lessee, but also pay a certain commission. It should be noted that this is a unique analogue of bank interest.

In turn, payments made by the lessor will be the initial value of the property if the object is reflected on its balance sheet, and this plays a role in taxation, since the various options for assessing the leased property affect, for example, the amount of property tax, depreciation amount and the procedure for its inclusion in the cost of goods sold.

Considering the standard method for calculating leasing payments in the agricultural sector, based on the specific conditions of leasing transactions, we analyze the possibilities of its modification, the shortcomings of the standard approach and offer possible ways to balance them.

In this regard, we will first consider a standard approach to the calculation of leasing payments in the agricultural sector and its modification. It should be noted that the method of calculating leasing payments in the agricultural sector should be based on the economic content of the leasing transaction. When acquiring property for further leasing, the lessee must compensate for his investment expenses through leasing payments and receive a certain percentage of the invested capital. Investment costs often include the actual costs associated with the purchase of property, as well as maintenance costs,

if specified in the lease. Currently, a single method is not used to calculate leasing payments, therefore leasing companies have the right to independently develop and apply their approaches.

According to the Civil Code of the Republic of Azerbaijan leasing payments include the total amount of payments under the lease for the term of the contract. This amount includes compensation for the lessor's expenses related to the acquisition of the leased asset and transfer to the lessee, compensation for expenses associated with the provision of services under the lease agreement, as well as the lessor's income. If the lease provides for the transfer of ownership of the leased asset, the total cost of the lease agreement may include the purchase price of the leased asset.

We consider that the composition of leasing payments includes the following components:

- Cost of leased property (book value);
- Payment of interest to the lessor for credit resources used by the lessee to acquire property under a lease agreement;
- Commission (interest) fee of the tenant;
- Insurance of leased property, as well as property tax paid by the lessor;
- Amount paid to the lessee for additional services.

Thus, this method is the sum of all investment costs, that is, the costs associated with the purchase and rental of property, and, in addition, the fees paid to the lessee. It should be noted that the current activities of the lessee, that is, the leasing company, are covered by commission fees, labor costs and other commissions. The commission fee is also considered the source of income of the lessor, excluding expenses and income taxes associated with current activities. It should also be noted that the size of the commission is not as large as the percentage of lease payments. This factor must be considered when planning the current expenses of the tenant.

As a result, it should be noted that when calculating leasing payments in the agricultural sector, it is clear that this method is based primarily on the value of rented property, agricultural machinery and equipment, and, more precisely, on the depreciation in each specific period. At present, the value of depreciation in the amount of VAT

payments is 68.5%. At the same time, the lessee may face a shortage of funds if the loan repayment schedule is not equal, and in addition, the loan agreement provides for accelerated loan repayment.

In our opinion, according to research, the advantages of leasing in general for the participants in the transaction can be distinguished as follows.

Firstly, the leasing operation includes 100% crediting of the transaction, and the property is provided to the tenant, while the bank loan usually accounts for 70-80% of the cost of the purchased equipment, and the remaining part is paid by the buyer at his own expense.

Secondly, the terms of a lease agreement are more flexible than credit relations, since they allow participants to draw up a payment scheme that is convenient for them. It should be borne in mind that if the lessor uses credit resources to obtain the object of lease, then the lease payments refer to the payments of the lessor on the loan. However, the leasing scheme allows a more profitable approach to determining the schedule of lease payments. In classic leasing transactions, rental payments are constantly decreasing. This is due to the fact that the amount of interest on the loan taken by the lessor to finance the transaction is regularly reduced, provided that the loan is repaid on a regular basis.

Thirdly, in many cases, the lease provides for the maintenance of the equipment by the lessor, repair of equipment, updating of more advanced samples, and so on. As a result, the tenant, in fact, receives additional benefits. In this case, in particular, the risk of obsolescence of the rented property is reduced. If the equipment is purchased, the enterprise must bear these costs on its own.

Fourth, in some cases, the leased asset may not be on the lessee's balance sheet and therefore not pay property tax on the equipment. In addition, the indicators characterizing its financial condition are improving, since the degree of financial dependence is hidden, and only the current debt on lease payments is displayed in the balance sheet. At the same time, credit liabilities are fully reflected in the balance sheet of the borrower.

Fifth, in the classical financial lease scheme, the lease term corresponds to the period when the property is written off as expenses by accumulating depreciation. Thus, at the end of the contract, the property with zero residual value is transferred to the lessee. The increase in the transaction price for the acquisition of the object is offset by a higher level of turnover. Under the terms of the lease, if a lessee becomes a lessee after the lease term expires, the lessee's total costs associated with the lease will be significantly reduced even if the lessee sells the property in the normal course of business.

Sixth, when carrying out leasing operations abroad, participants can take advantage of rather favorable depreciation and tax incentives. Referring to international experience, it should be noted that the American Boeing Aircraft Corporation sells its aircraft to leasing companies, and the leasing companies, in turn, lease these aircraft to airlines. In this case, all parties benefit. Thus, Boeing Aircraft sells its planes, airlines have access to these planes, and leasing companies receive tax breaks in financing capital investments. Participants in leasing operations in Azerbaijan have the right to apply accelerated depreciation to property with an acceleration factor of no more than 3.

Seventh, the real estate manufacturer gets additional opportunities to sell its products, which is extremely important in a highly competitive environment.

The strategic roadmap for key sectors of the national economy, including the agricultural sector, sets goals and directions for the development of the non-oil sector for 2020 and 2025 and beyond. In this regard, leasing has great prospects, including the leasing of the agro-industrial complex. This is due to the fact that high-tech equipment of farms and residents of new agricultural parks can be leased and then modernized. At the same time, the sale of products of economic entities, including agricultural parks, in the domestic and foreign markets can also be carried out through leasing. Therefore, in our opinion, it is more expedient to take into account the potential of the leasing business in the development programs of technoparks and agricultural parks, their organization and operation.

Research shows that a reliable statistical market is needed for the future development of the leasing sector. Currently, the absence of a

perfect source of economic information does not allow analyzing the processes taking place in this area, even at an elementary level. The lack of in-depth research on leasing operations in the agricultural sector is often associated with difficulties in obtaining official statistics. However, despite all this, the use of leasing is becoming widespread in other areas, as well as in the agricultural sector of the economy. Because the current economic conditions require it. The Strategic Roadmap indicates that in order to achieve the strategic goals set in the agricultural sector, it is necessary to invest 1 billion 170 million manat from various sources. Most of the necessary funding will be provided through the restructuring of existing budgets (state budget, extra-budgetary funds, the National Fund for Entrepreneurship Support, Funds of the Azerbaijan Investment Company, local budgets, direct investments, loans from international organizations and foreign countries, technical and financial assistance, other sources, not prohibited by law), joint financial efforts of the private sector and various investors.

As a result of the study, it should be noted that the assessment of the effectiveness of accounting and use of leasing operations in the agricultural sector, the study of the prospects for the development of this area, the results of the research were obtained, effective proposals were made for the implementation of leasing in the agricultural sector.

The main provisions of the dissertation, the results and suggestions are reflected in the following works of the author:

1. Improving and accounting for leasing operations in the Republic of Azerbaijan. Methodological and organizational aspects of the functioning and development of the financial system: new challenges, practice, innovation. Quick. doc. international. Donetsk. - Donetsk: Don. November 4, 2015. Pages 338-341

2. Accounting of the lessee when accounting for property (leased asset) on its balance sheet. Azerbaijan Cooperative University. Cooperative scientific and practical journal No. 2 (41), 2016. Pages 190-195.

3. The principles of organizing leasing operations in the agricultural sector of the Azerbaijan Republic. Journal of Russian

Entrepreneurship. Ed. Creative economy. Volume 17, No 10, May 2016, Pages 1275-1288.

4. Methods of conducting and organizing leasing operations in the Republic of Azerbaijan. Economics sociology law. Journal of Scientific Publications, Moscow 2016, pp. 15-18.

5. The essence of leasing operations in the agricultural sector and the role of taxation in the development of leasing in the Republic of Azerbaijan. Azerbaijan Cooperative University. Cooperative Scientific and Practical Journal No. 3 (42), 2016, p. 84-88.

6. The essence of leasing and the role of state support in its effective development. Proceedings of the 8th International Scientific and Practical Conference on Agricultural Science, Food Security and Environmental Protection, ASAU, October 03-04, 2016, Ganja, Azerbaijan, Volume II, pp. 343-345.

7. The essence of leasing in a market economy and the mechanism for its registration in the agricultural sector. Scientific works of ADAU №3. Ganja 2017, p. 126-129.

8. World practice of applying the leasing form of financing. Actual scientific research in the modern world. Collection of scientific works, issue 2 (22), part 2, Pereyaslav-Khmel'nitsky, 2017. pg. 55-60

9. Methods for assessing the effectiveness of investments in leasing. Collection of materials of International Scientific and Practical Conferences of young scientists "Scientific view of the young: searches, innovations in the agricultural sector", Almaty, April 6-7, 2017. Pages. 324-327

10. Leasing: concept, types and development prospects. The collection of materials of the V International scientific and practical conference. Volume 1, West Siberian Scientific Center, Kemerovo, April 7, 2017. pp. 101-103

11. The current state, development and ways to improve leasing operations in the agricultural sector. Journal of Finance and Accounting No. 9, 2017, pp. 26-30

12. Advantages and disadvantages of the leased form of financing. Materials of the international scientific-practical conference. Part II Russia, Voronezh, November 15-16, 2017. Pages 287-291

13. Assessment of the current state of tax payments on leasing operations, Materials of the II International Scientific and Practical Conference of Students, Graduate Students and Young Scientists on April 8, 2019, Makeyevka, Volume 8. Pages 171-174

14. Rental relations and the scope of application of the new standard MSFO 16 "Rent". Actual problems of modern natural and economic sciences, international scientific conference, Ganja. Part V, 03-04 May 2019. Pages 240-242

15. The role of leasing in the development of the agricultural sector of Azerbaijan, the effectiveness and current status of its financial support. Article. Collection of articles of the IX international scientific-practical conference "Economics and Management in the XXI Century: Strategies for Sustainable Development", July 5, 2019 Penza. Pages 66-68.



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