INTERNATIONAL FINANCE REPORTING STANDARDS IN THE REPUBLIC OF UZBEKISTAN

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Abstract

This article provides a practical analysis of the practical application of international financial reporting standards in Uzbekistan and the problems in the transition to international financial reporting standards and ways to overcome them.

Keywords: international financial reporting, financial accounting and reporting, international financial reporting standards, national accounting standards, business, investment.

Introduction. Entering the stage of rapid development in the Republic's economy and creating favorable conditions for attracting investments, as well as ensuring the precision and transparency of the activities of economic entities in Uzbekistan, the international standards of financial reporting play an unquestionable role in resolving this issue. Since gaining independence, our country has made significant changes in its economic system, just as it has achieved progress in all aspects. In other words, the global trends have been taken into account, leading to the development of new financial reporting standards and the transformation of accounting methods used during the previous alliance period. Furthermore, national accounting standards have been developed based on legal foundations. Under the leadership of the Association of Accountants, systems for international accounting practices and certification of accountants have been established. Soon, throughout our country, legal reforms and qualifications enhancement will be further synchronized and aligned with international financial reporting standards.

In the present time, economic entities are increasingly expanding their mutual international relations with foreign partners, and along with it, the volume of foreign partner relations in financial reporting is growing significantly. Subsequently, changes were introduced to the IFRS (International Finance Reporting Standards).

The first step in aligning our country's financial reports with international standards is to identify inconsistencies in the practical implementation of local accounting methods during the process of preparing financial reports. These methods are essential for introducing adjustments to comply with IFRS-based regulations.

The main reasons for these changes in NAS (National Accounting Standards) and NFRS (National Finance Reporting Standards) are to identify irregularities in the financial statements and to make significant adjustments to the reports prepared through NAS. The reports prepared through NAS can also be enhanced with the assistance of shareholder associations and foreign experts who have been invited. In practice, this process often relies more on the second method, which involves a thorough understanding of both international and local accounting standards and reporting techniques. Specialists in this field, as well as representatives from various organizations, including audit firms, are typically involved in this process.

Materials and analysis. In accordance with the legislation of our republic, there are two types of financial reporting preparations for all entities - parallel and transformation (conversion) reporting. However, parallel reporting poses certain inconveniences. It is considered cumbersome because it involves duplicating expenses and using human resources inefficiently. Simultaneously, the decision to implement parallel reporting or conversion of financial statements is at the discretion of the leadership of the joint-stock company and is not subject to mandatory legal regulation. Therefore, both approaches are being considered.

Based on IFRS, changing the Uzbek accounting system and, along with it, making adjustments and adaptations in accordance with NAS are the main principles for altering general financial reporting. In the parallel method, all operations are shown in both IFRS and NAS, and the simultaneous operation of accounting books for both IFRS and NAS, as well as the parallel maintenance of primary accounting records, constitute the essence of parallel reporting.

This technology leads to various results that are evaluated from different perspectives. For example, if we evaluate it in terms of the labor remuneration process, the ongoing process of harmonizing labor remuneration with national and international standards can be significantly reduced. Simultaneously, parallel reporting has its impact on financial accounting by demanding the reworking of all reports by the joint-stock company. Eventually, it becomes necessary to present all income and expenses items in both reports - the financial results report and the consolidated income statement.

Total income statements include revenues, amortized expenses, income from affiliated companies and joint ventures, profit and loss balances, tax expenses, and the above-highlighted revenues and expenses derived from separate items. For the period, the amounts allocated to specific items are disclosed in the total income statement, without monitoring the balances of individual units and the profit or loss of the parent company.

Discussion. In financial reporting, standards that are compatible with IFRS are taken into account, in addition to that, measures to improve and present the society's reports should also be considered. It can be divided into 2 phases.

In the first phase, a plan for the changes is outlined, which includes the timeline for transitioning to IFRS, as well as selecting the appropriate method for changing the reports. In this regard, the involvement of skilled auditors is crucial, especially in conducting scientific research on modifying financial reports in accordance with IFRS. Clearly articulating the purpose of the changes is of paramount importance during this process. For example, in order to prepare a consolidated financial report based on the general accounting policy, it is necessary to first shape the organization as a whole according to the accounting policy. This means that different units within the organization articulate their financial results based on their accounting policies, and then, following the general accounting policy regulations, they prepare the consolidated report. This phase of adjustments is certainly carried out in accordance with the guidelines, typically facilitated through audit institutions or organizations.

The second phase involves significant complexity and effort. The primary aim of the changes in this phase is to address the deficiencies in the reports of the Integrated Financial Reporting System (IFRS) and the National Accounting Standards (NAS) and analyze them. The application of analysis in accounting policy allows for the identification of various discrepancies and inconsistencies in national reports when compared to international standards. To adapt to international standards, balance sheets and financial statements of organizations are obtained. It is possible to understand that the financial report takes two forms according to international standards: the organization's assets, income and expenses, capital, and liabilities are formed. The final stage of this phase involves providing all the details of the changes in a text file format, simplifying the modification process. Thus, the financial reports based on international standards need to be reclassified for presentation. This means that the national chart of accounts is closed, and the chart of accounts that can respond to international standards is opened. It is of paramount importance to acquire another condition, namely that when transitioning to IFRS, each organization's financial reports should have analytical information rather than the volume of the reports. The main purpose is to form the chart of accounts according to the organization's specifics, taking into account how users use financial information in terms of cash flows. Information about the movement of funds is presented in IFRS 7. The classification of monetary amounts into two categories is required to reclassify financial information according to this classification: monetary amounts in the national and foreign currencies. The analysis of the 5810-"Financial assets" account is performed with the help of a worksheet. In this classification, the analysis of accounts that correspond directly to accounting, namely short-term and long-term portions of accounts receivable and accounts payable, is carried out.

Conclusion. In recent days, companies and their users are encountering financial reports that are prepared according to accounting regulations of one country when they are moving from one state to another. In some cases, accounting principles used within a country are also involved, which, in turn, contributes to the complexity of accounting. This means that when most investment analysts and general users are using financial reports, they incur additional expenses when analyzing these reports, as they are prepared based on various international standards. This, in turn, complicates the situation and leads to inconsistencies in interpreting the reports. Consequently, companies tend to incur high costs to maintain capital and deteriorate the competitiveness of capital in the global market. Moreover, the fluctuation of interest rates in various countries can result in distrust in accounting at an international level, leading to the following consequences;

The high costs of preparing financial reports are due to the fact that multinational corporations are compelled to prepare various types of reports for different countries regarding their diverse activities;

Companies need to transition to a single system to analyze financial results of their activities in different countries. In addition to that, companies aim to align their external reporting with internal reporting. Achieving these objectives can be very challenging, especially in situations where financial report standards are significantly different for a specific country. Developing Financial Reporting Standards specific to a particular country that has been unfavorable from the export point of view requires significant expenditure.

The adoption and enforcement of accepted and mandatory international standards for financial accounting and reporting are essential to support the economic financial regulations of external countries. The International Financial Reporting Standards Board (IFRSB) is responsible for these tasks.

In summary, it is important to note that while having our own national standards may be beneficial, in our rapidly developing nation with various international interactions and collaborations, international financial reporting standards are necessary for mutual understanding and cooperation with our partners.

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