



ISSUES OF HARMONIZING NATIONAL STANDARDS WITH INTERNATIONAL STANDARDS IN PREPARING FINANCIAL STATEMENTS

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A B S T R A C T	KEY WORDS
This scientific article discusses the need to prepare and adapt the balance sheet, compiled based on national standards, to international accounting standards and to provide it to external users within the established timeframe.	Transformation, parallel accounting, international accounting standards, financial reporting, balance sheet, assets, liabilities, equity.

Introduction

Relevant reforms are being carried out in our republic to transition accounting to international financial reporting standards (here in after - IFRS).

Currently, our goal is to prepare financial statements based on international standards in enterprises based on corporate governance. This can be achieved by preparing financial statements based on international standards or by transforming financial statements prepared based on national accounting standards to international standards.

On February 24, 2020, the President of the Republic of Uzbekistan signed Resolution No. PQ-4611 "On additional measures for the transition to international financial reporting standards", which provides for a fundamental revision of the process of introducing IFRS. According to this Resolution of the President, from January 1, 2021, joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers will switch to accounting based on international financial reporting standards.¹

The Regulation "On the deadlines for the submission of financial statements prepared on the basis of international financial reporting standards and their composition" was adopted in Appendix 1 to the Order of the Minister of Economy and Finance of the Republic of Uzbekistan No. 181 dated October 8, 2024. According to this regulation, the content and structure of financial statements, the forms of financial statements prepared in accordance with the IASB and IFRS are clearly defined. In this

¹O'zbekiston Respublikasi Prezidenti 2020 yil 24 fevraldagi «Moliyaviy hisobotning xalqaro standartlariga o'tish bo'yicha qo'shimcha chora-tadbirlar to'g'risida»gi PQ-4611-son Qarori

regulation, the forms of annual financial statements prepared in accordance with the IASB and IFRS include the following, namely:

The forms of annual financial statements prepared in accordance with the IASB include the following:

balance sheet in accordance with Appendix 1 to these Regulations;

report on financial results in accordance with Appendix 2 to these Regulations;

report on equity in accordance with Appendix 3 to these Regulations;

report on cash flows in accordance with Appendix 4 to these Regulations;

notes, calculations and explanations (notes to the financial statements).

The annual financial statements prepared in accordance with IFRS include the following:

a statement of financial position in accordance with Appendix 5 to these Regulations;

a statement of profit or loss and other comprehensive income in accordance with Appendix 6 to these Regulations;

a statement of changes in equity in accordance with Appendix 7 to these Regulations;

statement of cash flows (indirect method) in accordance with Appendix 8 to these Regulations;

notes containing significant accounting policies and other explanatory information (notes to the financial statements)².

Accounting entities are required to submit annual financial statements prepared in accordance with IFRS no later than May 1 of the following year.

IFRS requires the preparation and presentation of financial statements in accordance with the requirements for their preparation. This, in turn, allows the enterprise to attract external investors.

REVIEW OF RELATED LITERATURE

A number of scientific works and studies on the topic have been conducted on the preparation and presentation of financial statements based on IFRS. In particular, foreign economists M.R. Matthews, P. Ainsworth, K.D. Larson, R. Libby, R.H. Hermanson, R. Anthony, B. Needles, F. Wood and other scientists³ have examined the theoretical and conceptual foundations of financial reporting and methodological issues of recognizing, measuring and reflecting assets, liabilities and equity in financial statements; Scientists such as V.P. Astakhov, V. Kachalin, M.I. Kuter, V.F. Paliy, Ya.V. Sokolov, V.I. Tkach, V.G. Getman, T.Yu. Druzhilovskaya⁴ have studied the issues of applying IFRS in their countries in their works.

In recent years, research on financial reporting issues has been carried out in our republic, and scientific articles, monographs and textbooks have been published. Many scientists in our country today justify the need to transition to international financial reporting standards, outline the ways to transition to it,

² O'zbekiston Respublikasi iqtisodiyot va moliya vazirining 2024 yil 8 oktyabrdagi 181-son buyrug'iga 1-ilova "Moliyaviy hisobotlarni taqdim etish muddatlari hamda ularning tarkibi va mazmuni to'g'risidagi" Nizom

³ Ainsworth, Penne. Introduction to Accounting: An integrated Approach /Penne Ainsworth, Dan Deines, R. David Plumlee, Cathy Xanthaky Larson. Irwin, Printed in USA, 2005. 425 r.;

⁴ И.Кутер. Теория и принципы бухгалтерского учета: Учеб. Пособие.—М.: финансы и статистика, экспертное бюро, 2000.—544 с

and propose teaching it as a separate subject course, including J.Kurbanbayev, S.Djumanov⁵, K.B.Urazov⁶, S.N.Tashnazarov⁷.

The works of the above-mentioned scientists have studied methodological issues of recognition, valuation and reflection in financial statements of long-term assets, tangible assets, liabilities, income and expenses. Among the scientists of our Republic, Z.N.Kurbanov and researcher F.A.Akramov⁸, in their article, M.Marpatov⁹ covered the issues of harmonizing the financial statement with international standards.

RESEARCH METHODOLOGY

The article was written and analyzed using analysis and synthesis, induction and deduction, a systematic approach, accounting, statistics, economic analysis, and economic-mathematical methods.

ANALYSIS AND RESULTS:

During the independent rise and development of Uzbekistan, we can witness the great achievements made in recent years. Also, a number of exemplary works are being carried out to develop accounting and accelerate its entry into the world market. In particular, the role of financial reporting in increasing the efficiency of the activities of business entities, enterprises and organizations, and in general in the development of the economy of our republic, is of great importance. In this regard, the adoption of the Resolution of our President on February 24, 2020 "On additional measures for the transition to international financial reporting standards" and the approval of the "Roadmap" consisting of 18 points in accordance with it indicate that there will be serious changes in the direction of accounting in our republic. Therefore, as we strive to enter the world market, create a favorable investment climate in our country, attract foreign investment to our economy, and establish free economic zones, our activities must also comply with international standards. In this regard, accelerating the transition to international standards of financial accounting will provide foreign investors with the necessary information environment and expand their opportunities for access to international markets. In this regard, it is necessary to train accounting and auditing specialists in accordance with international standards and improve the methodology for preparing financial statements based on IFRS. This can be achieved by transforming financial statements based on IFRS.

International Financial Reporting Standards are a set of documents for preparing financial statements, a regulation that regulates the structure of financial statements, and are used by external users to make economic decisions regarding an organization. That is, to give a simple example, it will be possible to provide foreign investors with the necessary information to analyze the future growth or decline in the

⁵ J.Qurbanbaev, S.Djumanov. Buxgalteriya hisobi tizimini moliyaviy hisobotning xalqaro standartlariga o'tkazish yo'llari.// Moliya. 2016 y. №1, 99-104-b.;

⁶ K.B.Urazov. Moliyaviy hisobot: milliy va xalqaro standartlar muvofiqligi yo'lida. // Bozor, pul va kredit J. –2013. –№4. –57-61-b.

⁷ S.N.Tashnazarov. Iqtisodiyotni modernizatsiyalash sharoitida moliyaviy hisobot: muammo va yechimlar. Monografiya. T.: "Navro'z" nashriyoti, 2016 y. 31-47-b.

⁸ Z.N.Qurbanov, F.A.Akramov. Moliyaviy hisobning xalqaro standartlariga o'tishning dolzarb masalalari.// Biznes-ekspert, № 4,2015

⁹ M.Marpatov. Buxgalteriya balansi – moliyaviy holat to'g'risidagi hisobot. //Bozor, pul va kredit J. -2016.-№11.-B. 20-24.

value of shares, securities and other types of tangible assets that can attract investment in organizations (companies, corporations, joint-stock companies) operating in our country.

The advantage for us is that it creates an opportunity for large enterprises in our country to participate in international financial markets. For example, the purchase of shares and bonds of large enterprises in our republic by foreign citizens or legal entities, investment in these enterprises, ultimately leads to an increase in revenue to the state budget as a result of the development of the enterprise.

First, let's dwell on the dictionary meaning of the word transformation. Transformation (lat. Transformatio - change, reorganization) means 1) reorganization of the structure, form and methods, change of the targeted direction of activity; 2) one of the methods of transformation, reorganization of international law norms into domestic state law norms.¹⁰

So, in our opinion, transformation in accounting is the transformation of the rules, principles, methods and techniques of the accounting system in accordance with the legislation in force in our country, in accordance with the rules of another country or international rules, that is, the discovery of a new meaning.

There is no specific IFRS that defines the rules of transformation. However, the rules of the IFRS No. 1 "First-time Adoption of IFRS" standard are required to be followed.

When defining the transformation of financial statements, we believe that it is necessary to emphasize the date on which it is transferred, its main content is aimed at transferring the report prepared according to national standards to the financial statements prepared according to international standards, and that the transformation process is a process of conversion and reorganization into a new system that forms information that meets international requirements based on regrouping, re-recognition, revaluation, and adjustments in accordance with IFRS. Based on the results of research on financial statements, we give the following definition of financial statement transformation:

Financial reporting transformation is the process of regrouping the items of reporting components prepared on the basis of national accounting standards as of the reporting date in accordance with the rules of international financial reporting standards, converting and reorganizing their items into a new system of information in IFRS reports based on re-recognition, revaluation, adjustments and re-disclosures.

The application of International Financial Reporting Standards (IFRS) is not a mandatory document, it is a recommendation. It does not specify the forms of financial statements that enterprises must present, as in national standards. IFRS determine the main components of financial statements and the minimum information content reflected in them. The application of IFRS is a matter of absolute competence of the company.

Transition to IFRS or preparation of financial statements based on IFRS prepared on the basis of IAS creates the following opportunities:

- increases the transparency of the company's performance;
- information users have the opportunity to analyze financial indicators within one company by period and across several companies by comparing relevant indicators;
- creditors, shareholders, lending organizations have increased confidence in the company and invest in the company's activities with high confidence, and the company's ability to obtain loans expands;
- attraction of foreign investments and cooperation with foreign investors increases;

¹⁰ dic.academic.ru/dic.nsf/dic_economic_law/16427/TRANSFORMATSIYa

- opportunities arise for entering world markets, including raw materials, currency, labor exchanges, and the international capital market;
- company managers have the opportunity to receive reliable, objective, consistent and timely systematized financial information for making management decisions;
- necessary information is provided for budgeting, planning and assessing the company's strategic development;
- improvement of company management mechanisms, increasing the company's competitiveness, improving product quality and increasing export potential are achieved;
- elements of corruption, abuse, concealment of tax objects, plunder, localism, unemployment, bankruptcy will be eliminated in companies;
- the system of labor incentives will be radically improved, material benefits will increase;
- a strong control system will be established. The moral environment will be stabilized. The qualities of loyalty to work, company and homeland will be combined in employees.
- employees will have the opportunity to work on themselves and regularly improve their skills. This will increase the interest and motivation of employees to professionalism.

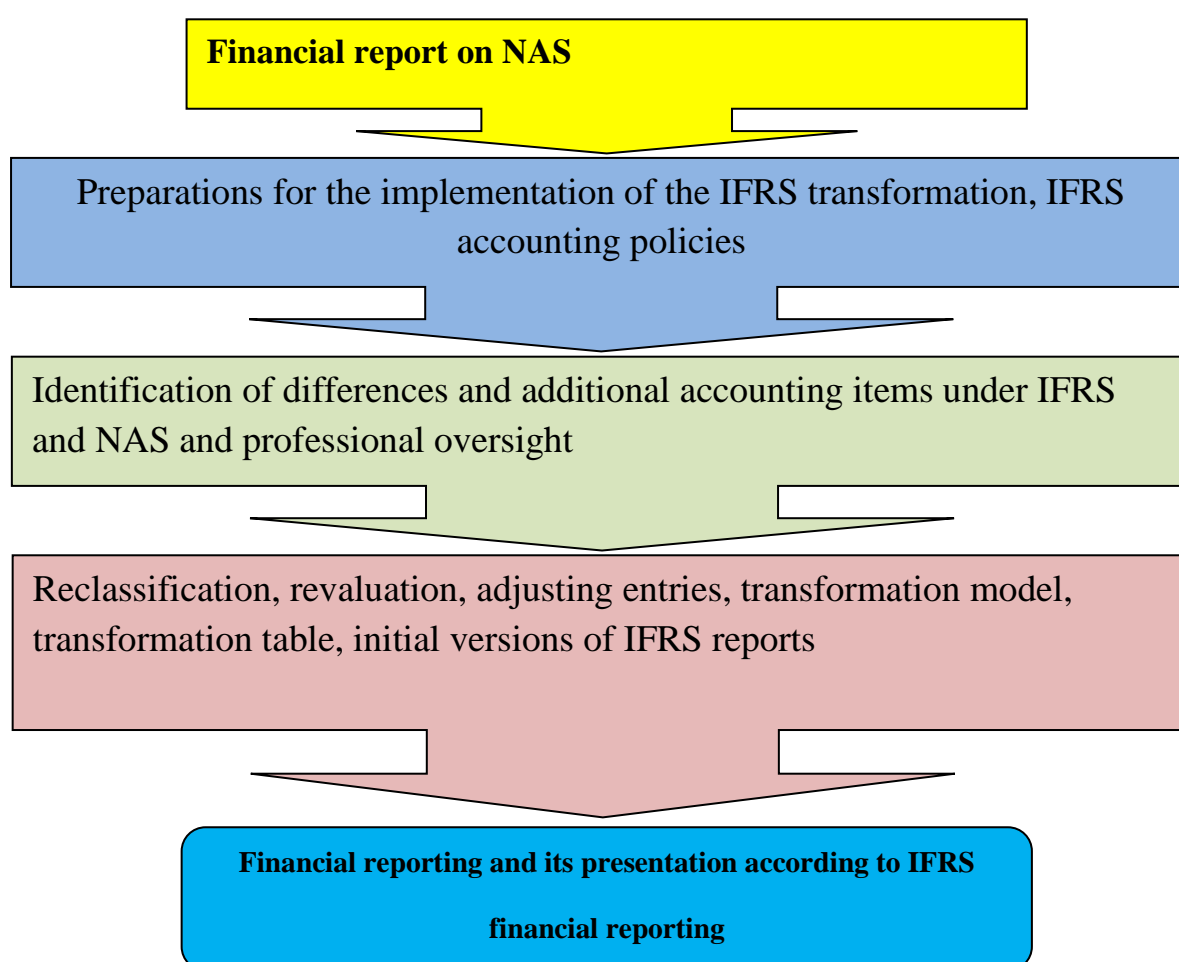
It is not possible to switch to IFRSs at any time, without preparation, directly. Even if financial statements are transformed according to IFRSs without preparation, they will not give the expected result. Therefore, when applying IFRSs for the first time or before transforming financial statements prepared based on national standards, it is necessary to take into account the environment, conditions and certain preparatory work. We can include the following factors:

- the country's financial, monetary, tax, and labor legislation should be in line with world standards. It is necessary to achieve free convertibility of the national currency;
- there should be no high inflation in the country's economy;
- we should ensure that the system of national accounting standards of the Republic of Uzbekistan is as consistent as possible with IFRS. If the difference is large, the transformation process will be difficult, and even if the transformation is carried out, it will not give the expected result;
- the only regulatory legal act for accounting and the preparation and presentation of financial statements should be the Law "On Accounting" and accounting standards. We should also gradually transform regulations, instructions, and rules into standards;
- we should not envisage the existence of separate accounting standards for economic entities, the budget system, banking systems and public funds (regardless of whether they are profit-making or not), but rather create a single system of standards, the rules of which should be applied to all types of companies and organizations in the same content;
- it is necessary to create opportunities for the transition to the procedure for freely determining the currency of presentation of financial statements in accordance with international standards;
- it is necessary to establish an institute of professional accountants in the country, to improve the professional qualifications of certified accountants and auditors within its competence, to expand the widespread introduction of ACCA, SAR and CIPA certificates.
- it is necessary to improve the qualifications of accountants abroad, to study foreign languages, to form skills in working with international accounting programs among practicing accountants;
- it is necessary to bring the corporate governance system in companies and joint-stock companies into line with the requirements of international standards;
- improve the system of financial incentives for accountants, ensure their compliance with ethical rules;

- improve the accounting policy in companies, ensure that it is drawn up in full compliance with the principles of financial reporting and has a real accounting project, as well as develop a working chart of accounts in accordance with the requirements of international standards in the company;
- ensure that accounting and financial reporting in the company are maintained on the basis of special programs, and carry out a number of other works.

Joint-stock companies and other enterprises with foreign investment operating in the Republic of Uzbekistan prepare financial statements in accordance with the Law "On Accounting" and IFRS. In order to have the above opportunities, the company is required to prepare and present financial statements based on IFRS. Well, there are two recognized ways to prepare financial statements based on IFRS, which open up such great opportunities and ensure the transparency of the company:

The first way is to transform financial statements prepared based on IFRS into IFRS (Figure 1).



1- Figure 1. Stages of financial reporting transformation ¹¹.

The second way is to maintain a parallel accounting system in accordance with IFRS alongside the national accounting system (Figure 2).

¹¹ Created by the author.

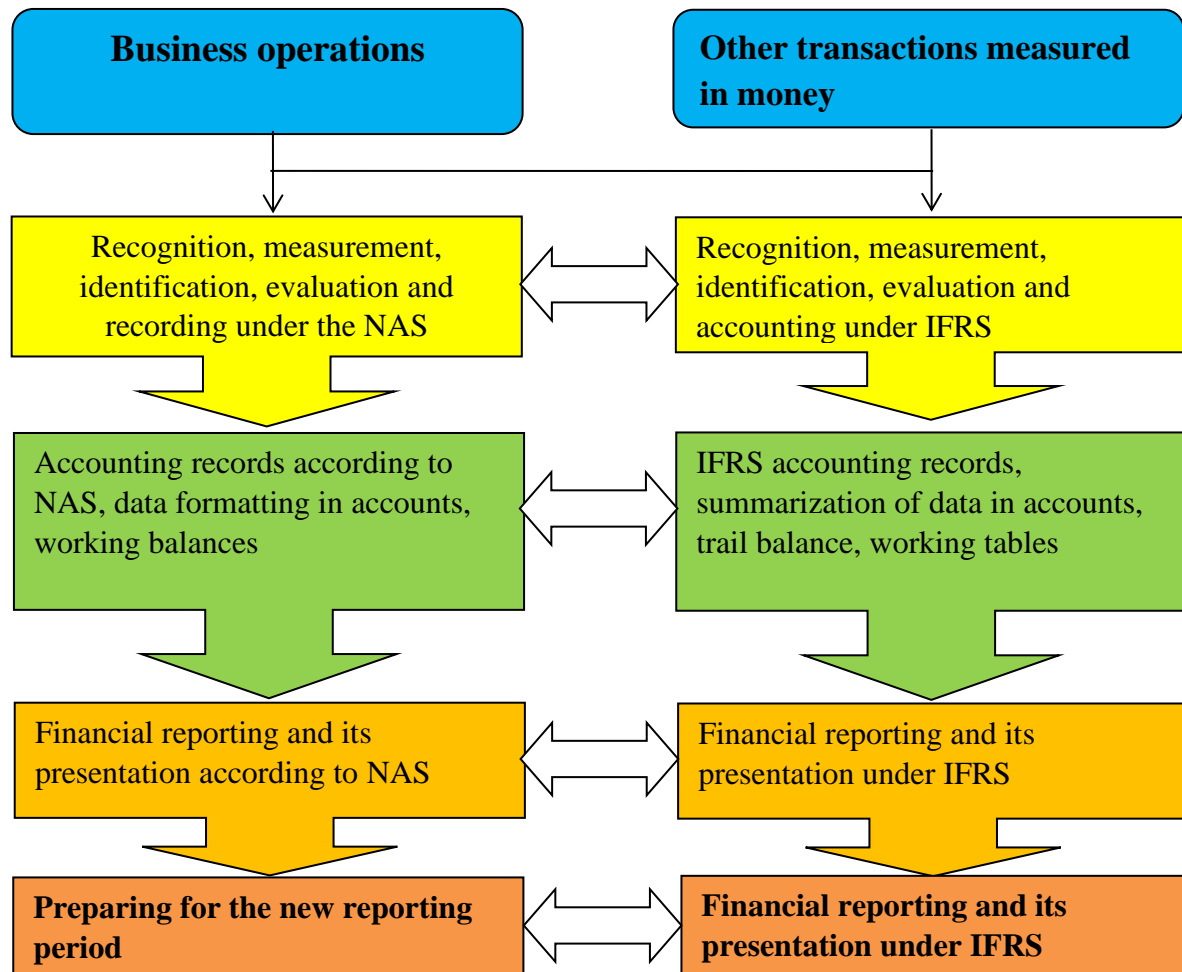


Figure 2 Parallel accounting system ¹²

Both paths have one requirement, namely, in-depth knowledge of NAS and IFRS, and practical competence in their application.

The first path is the most widely used, low-cost and relatively low-complexity. It should be noted that there are no IFRSs that define the procedures and rules for the transformation of financial statements. Therefore, each enterprise must independently develop the basis for transformation in its accounting policy. For this purpose, it is advisable to develop general approaches to transformation and summarize the accumulated experience.

CONCLUSION AND RECOMMENDATIONS

Based on the study of literature, it can be concluded that the process of transformation can be divided into several stages. Each company approaches this according to its capabilities and level of professionalism. In our opinion, any work to be done can be conditionally divided into three stages, for example, the first stage is preparation for the implementation of this work, then its implementation in the second stage, and finally, in the third stage, it is advisable to divide it into stages of achieving the

¹² Created by the author.

result and delivering it to external users, that is, investors, issuing organizations and other creditors. Based on this point of view, it is advisable to conditionally divide the transformation process into stages of preparation, its implementation, and achieving the result and presenting it:

1. Stage of implementation of preparatory work. At this stage, design, planning and organizational work are carried out. The quality of the work performed at this stage largely ensures the quality of the subsequent stages and the compliance of the transformation results with the requirements of IFRS.

2. When forming the statement of financial position, the company must make the following adjustments in accordance with the standard IFRS No. 1 “First-time adoption of IFRS”:

- the stage of implementing the transformation process procedure, in which, after all preparatory work, differences are identified, corrective accounting entries are made, and working transformation tables are made.

3. At the final, final stage, after the adjustments are made, financial statements are prepared and presented in accordance with IFRS.

Based on the above, we propose to do the following when transforming financial statements prepared based on national standards to international standards:

First, it is necessary to prepare analytical accounting data, including the components of financial statements prepared in accordance with national standards, as well as extensions of the balance sheet, profit and loss and other reporting items, and, if necessary, primary documents.

Secondly, it is necessary to reclassify and reassess assets, liabilities and equity elements. In the profit and loss statement, each relevant item should also be reclassified and assessed in accordance with international standards. Similarly, it is necessary to develop measures to bring other reporting items one by one into line with the requirements of international standards.

Third, it is necessary to make appropriate adjustments and develop a schedule of additional postings to bring them up to the level of IFRS.

Fourth, after the appropriate adjustments are made using accounting postings, prepare a report that complies with the requirements of IFRS.

Fifth, the correct use of terminology plays an important role in the transition to IFRS. The terms, names of indicators, and their abbreviations in reports compiled based on national standards should be converted to terms that are consistent with international standards. If an indicator's value based on regrouping and assessment is in accordance with international standards, but its name is not consistent, it will be difficult to read and lead to confusion.

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