

Issues of application of international financial reporting standards in the Republic of Uzbekistan

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Abstract: This article highlights the importance of international financial reporting standards. As a result of the research, how the international financial reporting standards were applied were addressed.

Keywords: financial statements, international financial reporting standards, materiality, statement of financial position, statement of comprehensive income.

Introduction

Currently, the economies of the countries are becoming increasingly open and interconnected, which leads to the integration of the accounting system. Due to the prestige of the international standards of financial reporting (IFRS), it is recognized as the basis of national requirements for the compilation of financial reports in many countries of the world. It turns out that the same international standards allow for the preparation of comparable financial statements.

The economic system at any level in a constantly changing business environment is based on those subjects that seek sustainable development. In turn, sustainable development enterprises are considered to be interested in increasing capital in the form of dividends or obtaining economic benefits to save the funds involved and increase the fixed assets. In the conditions of a market economy, the limited access of enterprises to resources dictates the rational use of investment resources to the subjects of the economy by careful selection of investment projects and differentiation of the most promising ones.

In the process, the information received from the economic entities, in our opinion, serves as a guide for the storage of funds invested in various projects, for the collection of useful information for interested parties. Full adherence to the principles IFRS will help to achieve the goal of obtaining useful information for investors.

The main reasons for the introduction of IFRS in our country are the efforts of the Joint-Stock Companies to show transparency of their activities, their efforts to reach the international level. It is also worth noting that the introduction of IFRS into the accounting system of our country and the improvement of national standards is an inevitable process.

Literature Review

In the economic literature, broad attention is paid to the problem of the transition of accounting to international standards.

Doctor of Economic Sciences, Associate Professor according to A.Z. Avlokulov, financial statements made based on international standards are considered necessary in the effective management of the organization. The main goal of the transition to international standards is to enter the international market and attract investments. International standards also make an important contribution to the development of the country's economy in terms of quality [1].

Doctor of Economic Sciences, Associate Professor S.N.Tashnazarov said that financial reports based on IFRS will improve the investment climate. He argues that it will create opportunities for the entry of investments into the country by large companies [2].

H.Yusrina, M.Mukhtaruddin, L.Fuadax, Z. Sulong said that the international standards of financial reporting serve to fully disclose information and ensure the reliability of the reports [3].

The use of the international standards of financial reporting in the compilation of financial statements by the economic entity allows them to increase their competitiveness in the struggle for sources of financing [4].

International Financial Reporting Standards (IFRS), recognized rules of disclosure, evaluation, recognition, and classification of financial indicators and economic operations for the compilation of financial statements of economic entities in most countries of the world. They are used by many companies around the world to create reports that are necessary for external users to make economic decisions about the company [5].

The importance of IFRS is that to develop integrated communications in the conditions of a market economy, it is desirable to create financial reports that are easy for all users in all countries of the world to understand [6].

The introduction of IFRS is necessary for users of internal and external financial statements: from private companies and investors to public management bodies. First of all, there is an increase in the quality of financial information for decision-making, and then a wide range of opportunities for attracting capital to the company arise international standards have the following conceptual framework: fundamental quality characteristics, the importance of the information provided, its reliability, "financial reporting elements, approaches to asset and liability valuation, capital concept and capital retention" [7].

But in the research conducted by the above Economist scientists, the problems of the application of the international standards of financial reporting have not been sufficiently studied and the directions of their elimination have not been fully clarified.

Analysis and results

The reform of accounting and reporting to international standards, which is currently taking place in our country, is aimed at forming useful information for interested users. Reports compiled using international standards have a large amount of information about the economic entity, ensuring transparency of financial information. As practice shows, the use of international standards in the compilation of reports by the economic entity allows, first, access to the international capital market, and secondly, it can attract investments on more favorable terms. Information about the economic entity that makes a report on FXS is sufficient for a potential investor to understand and assess the risks associated with financing them.

It is worth noting that the main purpose of the concerted framework is to make reports on the FXS the most useful for users. Quality characteristics, fundamental and other characteristics are foreseen to help specialists in international standards. But the separately obtained feature should not be considered a priority, otherwise, the information will not be useful.

"Fundamental qualitative characteristics include several other characteristics," O.G.Jitlukhina said. For example, the predicted value of information locality, the importance of

information is affected. The factual presentation is also influenced by the following features: information usefulness, object reflection, absence of errors. The fundamental properties are also included in the relevancy. Information relevancy means that decision-making and evaluation can be carried out on its basis" [8].

The full set of financial statements, which are regulated by Issue 1 FXS of the "first time application of the financial statement", includes "accounting balance sheet, profit, and Loss Statement, Statement of changes in capital, cash flow statement, accounting policy, and the explanatory letter". All forms of reporting should be considered basic and necessarily structured. It is worth noting that the exact name of the listed forms may be changed by organizations that are not mandatory (according to FXS the so-called "First Time application of financial reporting" No. 1), but at the same time the names of the reporting forms should reflect the economic essence of the financial indicators, they should be clear to users.

The first and main requirement that a financial statement on IFRS must meet is the reliability of the information contained in it.

In our opinion, to provide reliable feedback to users, it is necessary to:

- ensure the implementation of all applicable IFRS;
- To establish an accounting policy and apply it consistently following Section 8 of the "accounting policy, changes, and errors in accounting estimates";
- providing information with the following characteristics: clarity, locality, reliability, and comparability;
- disclosure of additional information if necessary (if compliance with the requirements of separate IFRS does not allow an adequate assessment of the impact of events and operations on the results of activities and Financial Position) [9].

It is worth noting that reliable reporting allows users to predict the future cash flows of the business entity (including the probability of their occurrence and the period of their occurrence), as well as make effective management decisions based on it.

In the preparation of reports, it is necessary to take into account an important aspect - the principle of continuity, that is, the ability of the economic entity to continue its activities on an ongoing basis.

If there is any uncertainty in this matter, or if the economic entity plans to terminate its activities (if there are no other alternative solutions), it is obliged to disclose these circumstances in the report. Assessing the ability of the economic entity to continue its activities on an ongoing basis, its management must take into account the full volume of information about the future for at least 12 months. In our opinion, it will be necessary to analyze a lot of factors, which is associated with the following:

- current and future profitability;
- terms of repayment of debt;
- potential sources of financing, etc.

It is known that economic entities are obliged to submit a financial report under IFRS at least once in 1 year. The report is obliged to change the reporting period and the end date of the report, or to reflect the circumstances of submission for a period of less than one year or a longer period, as well as to clarify the circumstances of use of such a reporting period.

Some changes concerning IFRS require users to provide detailed information to the users regarding the future situation regarding the impact of changes in the assessed values of variable factors in the organization's activities on the value of financial reporting elements [10]. Unlike the IFRS, there are no such requirements in the order of the minister of Finance of the Republic of Uzbekistan № 140 "on approval of financial reporting forms and rules for their replenishment "dated December 27, 2002, but organizations independently determine the content of explanations in the reporting forms.

In the 1-the issue of the so-called" first application of the financial report", the rules for compiling a balance sheet are regulated, in which strict requirements for its formation are not established. Each organization independently develops a form of balance sheet. Assets and liabilities are divided into long and short-term groups, depending on the term of the articles. If the company believes that it is not intended to be so, then assets and liabilities are placed in a liquidity order. The list of substances that should be opened on the balance sheet is set out in Article 1. As for the accounting balances that are formed in our country, in contrast to the IFRS, substances are categorically divided into long and short-term types.

In the financial report of our country, it is necessary to pay attention to the development of new standards taking into account the opinion of public organizations to ensure unity with international standards, in particular, professional opinions of specialists in the field of accounting and financial accounting.

Studies show that the main problems of the application of International Financial Reporting Standards in Uzbekistan are as follows:

- The difficulty of adopting current and new standards by specialists due to the lack of appropriate methodological guidelines and comments on the issues of the practice of the application of special rules of IFRS, as well as lack of information;
- The absence of a generalized analysis of the practice of applying IFRS in the Joint-Stock Companies of Uzbekistan;
- The higher cost of training in special courses for obtaining international certificates;
- The cost of auditing and consulting services provided by international standards is expensive;
- Lack of specialists and qualified personnel;
- Automated programs of accounting and reporting on FXS, as well as the high cost of servicing them.

In this regard, the emergence of formal accounting is an important step towards reforming the accounting of the country, turning it into an effective tool for creating information that is qualitative, objective, useful and in high demand.

In our opinion, to improve financial reporting in the conditions of application of international standards, it is necessary to:

- simplification of some regulatory requirements for the formalization of economic circulation with primary documents, thereby reducing the majority of the document circulation process;
- to give organizations the right to maintain accounting records based on accounting policies fully consistent with the requirements of IFRS developed by them;
- Organization of the Higher School of international accounting for the training of qualified specialists in the application of IFRS.

Foreign experience in the preparation of the first report on ECHR can be recommended to the subjects operating in our country:

- pre-planning the preparation of a report on international standards (preparation of tables and orders for the preparation of the first report, the formation of a budget of salary expenses of appraisers, auditors, external consultants);
- Organization of training of employees following the basic principles of preparing a report on international standards, taking into account the characteristics of the rules for the first time application of the IHS;
- to solve the problem of processing large amounts of accounting information through the use of automated accounting systems, spreadsheet options, and other software.

The options for bringing the national standards of accounting closer to international standards are reflected in the picture below (Figure 1).

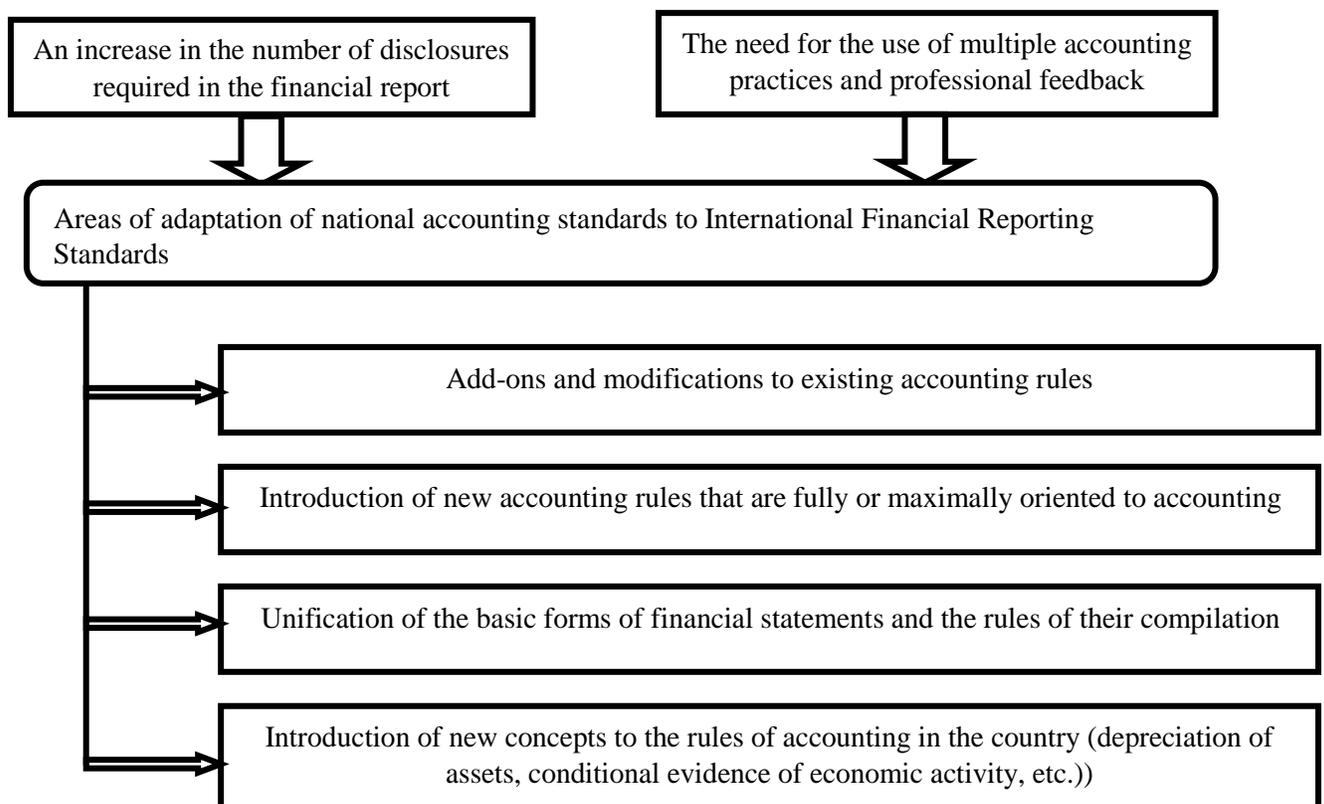


Figure 1. The main directions of the IFRS adaptation of the accounting system in the Republic of Uzbekistan

Thus, we can say with confidence that the process of introduction of the IFRS on the territory of the Republic of Uzbekistan is intensifying. The introduction of IFRS everywhere and consistently on the territory of the country allows enterprises to receive direct economic benefits from their involvement in the world economy.

Conclusions

- ✚ The purpose of the financial statements is to provide information to a wide range of users about the financial situation of the stock society, the financial results of its activities, and the movement of funds for their economic decisions. It should also show the results of the management of resources entrusted to the management of the enterprise.
- ✚ For the rapid development of the economy of the Republic, investment activity, it is necessary to adjust the accounting account to the international standards of financial reporting. The successful introduction of new concepts and principles of international standards depends on the extent to which the content and objectives of their application in the accounting practice of Uzbekistan are understandable to the accountant himself. It is not always clear why local organizations need new rules to provide and disclose economic information to users of financial statements. Therefore, it is necessary to develop excellent comments on their application, not only on specific account operations and situations but also on the expediency of introducing such innovations in the practice of Uzbekistan.
- ✚ The number of foreign users of financial statements of companies is growing steadily. Therefore, the transformation of the report based on IFRS has become a topical issue of the present day. Under these circumstances, the so-called "First-Time Use of financial reporting" is important. The application of this IFRS ensures the transparency, universality, and reality of the financial statement and provides an opportunity to clearly understand the state of accounts.

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