

# STEPS OF TRANSITION TO INTERNATIONAL STANDARDS OF FINANCIAL REPORTING IN UZBEKISTAN AND ITS PRACTICAL RESULTS

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**Abstract:** *In this article, the transition to international standards of financial reporting, its transformation. Problems in the transition to International Financial Reporting Standards. Methods and sequence of preparation of financial statements are studied.*

**Keywords:** *reporting, financial reporting, International Financial Reporting Standards (IFRS), balance sheet, financial results, transformation, profit and loss statement.*

**Enter.** The acceleration of the processes of globalization and integration in the world directly creates the need for the transition to international norms and standards and the strengthening of requirements for their adherence. These factors are directly related to generally accepted accounting and reporting. Joint-stock companies, multinational corporations and large companies operating in various fields of the world prepare financial reports in accordance with international financial reporting standards (IFRS) on a voluntary basis.

In the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" No. PD-4947 "Introduction of modern standards and methods of corporate management, strengthening the role of shareholders in the strategic management of enterprises, the procedure for connecting business entities to engineering networks" and improvement and simplification of mechanisms" are mentioned. It can be seen that transparent and reliable delivery of information to information users, including financial reporting data, is one of the important factors in economic development. In addition, one of the other advantages for us of the transition to international financial reporting standards is the opportunity for large enterprises in our country to participate in international financial markets. For example, foreign citizens or legal entities of large enterprises in our republic, investing in these enterprises in exchange for their shares and bonds, will ultimately lead to an increase in income to the State budget as a result of the development of the enterprise.

**Analysis of literature on the topic.** Financial statements are prepared and presented by many business entities to external users around the world. Although such financial statements may seem similar in different countries, there are

differences between them that may arise due to different social, economic and legal conditions and the requirements of different users of financial statements when national requirements are established in different countries.

Such different conditions have led to the use of different definitions of financial statement elements: for example, assets, liabilities, capital, income and expenses. They also led to the adoption of different criteria for recognizing financial statement items and different bases for evaluating these items. This also affected the scope of application of financial statements and the information disclosed in them.

"If the company reports internationally, it must prepare in accordance with the International Financial Reporting Standards (IFRS) guidelines of the International Reporting Standards Council."

Economist S.N. Tashnazarov said that the need to transform financial statements according to International Financial Reporting Standards (IFRS) is increasing.

**Research methodology.** During the research, methods such as analysis, synthesis, and comparison were used in order to methodologically study the transition and transformation of financial reporting to international standards.

Analysis and results. What do we mean by International Financial Reporting Standards? International standards of financial reporting are a set of documents for the preparation of financial reports, a regulation regulating the structure of financial reports, which are used by external users to make economic decisions about an organization.

That is, to give a simple example, it will be possible to provide these foreign investors with the necessary information to analyze the future growth or decline of shares, securities and other types of material assets of organizations operating in our country (companies, corporations, joint-stock companies) that may attract investment.

According to the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting" No. PD-4611, from January 1, 2021, legal entities included in the category of joint-stock companies, commercial banks, insurance organizations and large taxpayers transition to accounting management based on international standards of financial statements is defined.

In the draft decision, the following norms are proposed, which provide for the gradual implementation of the IFRS:

1) January 1, 2021, the date of transition to the IFRS, as well as approval of the list of organizations that prepare financial statements based on the IFRS;

2) Preparation of financial reports in the following volumes by organizations whose date of transition to IFRS is set as January 1, 2021:

In order to form the available data for the first year of the transition period to IFRS by the end of 2021, to prepare a preliminary financial report, where comparative data on the transition date (January 1, 2021) will be presented only in the financial statement;

By the end of 2022, to compile the first annual financial report based on the IFRS and a complete set of financial reports based on the IFRS in subsequent years; Organizations with earlier dates of transition to the IFRS (up to 2021) should prepare a complete set of financial reports based on the IFRS by the end of 2021.

3) To have the right to prepare financial statements for at least two calendar years by business entities that voluntarily prepare financial statements in accordance with the National Accounting Standards, and only after the expiration of this specified period to prepare financial statements in accordance with national accounting standards.

4) Determining that the requirement to prepare a financial statement based on the IFRS does not apply to organizations included in the consolidated financial statement, except for organizations on the list approved by this decision.

5) Establish the following procedure, according to which:

a) Organizations preparing financial statements based on the IFRS, send a notification about the transition to the IFRS to the state tax authorities through the personal office of the taxpayer by March 1 of the reporting year (indicating the date of transition to the IFRS);

b) Submission of financial reports based on the IFRS to the state tax authorities and other bodies in accordance with the legislation in the following terms: for a quarterly report within forty days after the end of the reporting quarter - from the end of the first quarter of 2023;

for the annual report, no later than March 1 of the year following the reporting year, small enterprises and micro-firms submit only the annual financial report.

v) publication of the annual financial report based on IFRS in accordance with the procedure established by law.

6) The Ministry of Finance of the Republic of Uzbekistan will organize a free educational platform for the special course "Financial reporting in accordance with the IFRS" that will be updated annually until 2025 using distance learning technologies.

Of course, the correct and timely implementation of any reform depends on the issue of personnel and their quality. Therefore, in the decision of the head of our state, special attention is paid to the issue of personnel training on the IFRS.

In fact, the most important thing in this regard is to require joint-stock companies, commercial banks, insurance organizations and large tax payers to submit a document stating that they have successfully passed the subject of "Financial reporting on IFRS" within the framework of the international certification of accountants by the end of 2021, or "Certified International Professional Accountant (CIPA)". It is a matter of providing accounting service personnel sufficient for the quality application of IFRS in the amount of at least three specialists with one of the certificates of Certified Public Accountant (ASSA), "Certified Public Accountant (SRA)" and "Diploma in International Financial Reporting (DipIFR)".

If this extremely difficult and decisive issue is resolved, the task will be accomplished in a qualitative manner. It is also important that business entities that voluntarily prepare financial statements in accordance with international standards of financial statements are exempted from submitting financial statements according to national accounting standards.

In addition, it is considered as a priority task to popularize the world's successful experiences of training specialists in the field of international standards of financial reporting and to expand cooperation with international organizations in the field of accounting in connection with the gradual international accreditation of the educational programs of higher education institutions related to the field.

In order to include our country among the developed countries, achieving stable growth rates of the gross domestic product, ensuring budget stability, competitiveness of production products, and for this, more foreign investments play an important role.

**Conclusions and suggestions.** In conclusion, it should be noted that the preparation of financial statements based on national standards causes some defects. This, in turn, causes the loss of transparency and reliability of information. For this reason, it is appropriate to draw up financial reports based on international standards and use international experiences.

In conclusion, it can be said that the decision of the head of state PD-4611 dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting" creates a solid foundation for our enterprises to gain a place in the world markets. For this, it is more appropriate to adapt the financial reporting to international standards by transforming it without completely abandoning our national accounting system.

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