

PRACTICE OF IMPLEMENTING IFRS: FOREIGN AND NATIONAL EXPERIENCE OF UZBEKISTAN

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Annotation: *This article examines the prerequisites and necessity of implementing International Financial Reporting Standards in the territory of the Republic of Uzbekistan, the past experience of country in this matter, as well as the current opportunities and conditions for implementing IFRS. In addition, it examines the experience of developed and most successful countries that have completed the transition to this system, and compares the attitude of foreign specialists to this kind of transformation of accounting methods. Special attention is paid to last year's experience of implementing IFRS in various sectors of the Uzbek economy, the expected benefits and possible obstacles to the transition of the financial reporting system from national to internationally recognized standards.*

Keywords: *IFRS, National Accounting Standards, management decisions, legislation, investors, personnel, foreign experience.*

INTRODUCTION

In order to expand the potential of Uzbekistan in international financial markets, as well as provide information to foreign investors interested in the development of the country's industries, the government has taken measures to introduce International Financial Reporting Standards in the Republic of Uzbekistan.

IFRS itself is a set of uniform accounting rules for state organizations. The main difference between IFRS and national standards in this sector is their content, which regulates only the principles of financial reporting, for instance, puts the economic essence of operations over technical side of their accounting and documentation. (Figure 1)

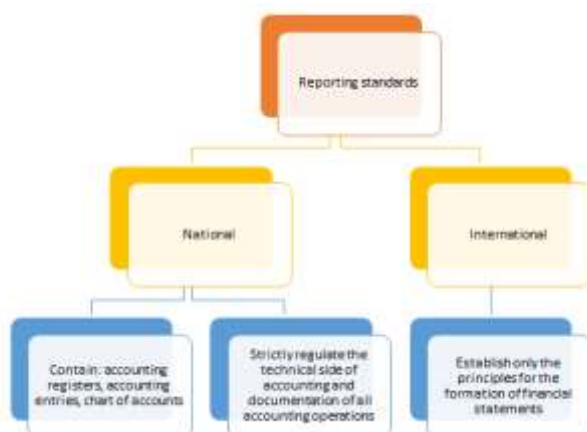


Fig.1 Comparison of international and national financial reporting standards [1]

The system of IFRS documents includes:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS);
- Interpretations of International Accounting Standards (IIAS).

Systematic use of these documents ensures uniformity in the application and understanding of international standards. In addition, the existing Conceptual Framework for Financial Reporting, which is applied by the IASB, defines the purpose of generating financial statements and the requirements for the quality of financial information, which is necessary for the development of high-quality accounting standards. Although this document is not included in the IFRS system, it is still used by private organizations to define accounting methods in cases where there are no specific instructions in the current standards.

Thus, the introduction of International Financial Reporting Standards in the Republic of Uzbekistan is a mandatory requirement for the effective development of entrepreneurship and the country's economy as a whole. This innovation will allow companies to make informed management and financial decisions, and investors will be provided with transparent and understandable information that is available for comparison, analysis, and calculation of profits and risks.

Review of scientific literature. Foreign literature notes the need to combine national and international financial reporting standards, since none of the individual systems provides a complete solution to the tasks set. At the same time, in international practice, the accounting rules inherent in the national economy of a particular country, are usually referred to by the term GAAP.

As A.S.Alisenov notes, the accounting system is developing along the path of convergence of models of different countries. This convergence consists in harmonizing the national characteristics of each state, and an important role in this process is played by the unification of IFRS and US GAAP - as the fundamental systems for preparing financial statements. At the same time, external influences determine the functioning of national standards, so their diversity creates differences in the theory of accounting and the practice of its implementation. [2, p. 18-19]

N.S.Plaskova states in her work that international standards ensure comparability of documentation between different companies around the world and its availability to external users. In addition, in world practice, the assessment of the usefulness of the received information is carried out on the basis of its materiality from the point of view of decision-making. In other words, the procedure for confirming the need for submitted information for decision-making has received a special status abroad. [3, p. 6-7]

As you know, three main accounting models have been developed at the present stage: Anglo-Saxon, continental and South American. (Figure 2) According to L.B.Trofimova, the Anglo-Saxon model (also known as the British-American model) was

formed under the influence of such an influential accounting system as US GAAP. At the same time, the IASB, which started its activity in 1973, adopted the continental, i.e. European accounting model as the basis for its activities. Thus, the convergence of these two systems will allow for the unification of accounting methods in many countries, and the relevant agreements will facilitate and ensure the full implementation of this process. [4, p. 7-9]

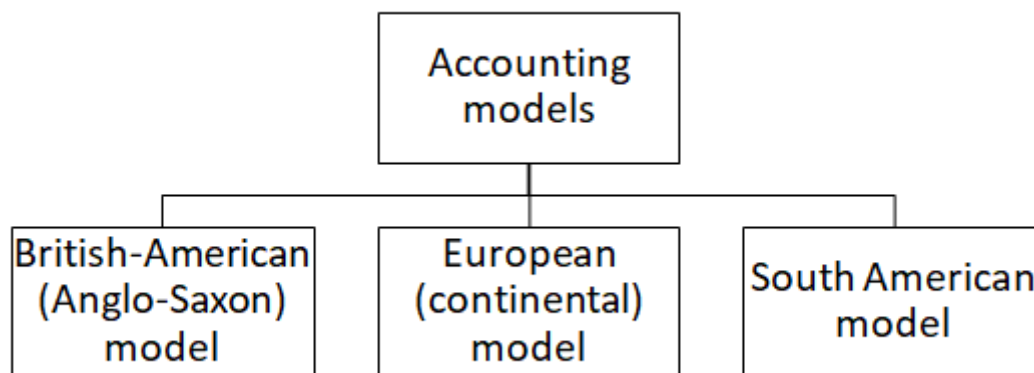


Figure 2. Modern accounting models [4]

Methodology. This article analyzes the existing conditions and the need for the introduction and further development of IFRS in the Republic of Uzbekistan. It provides a comparison of the decisions of various governments to implement a system of international standards and the consequences of their actions, as well as discusses the opportunities and threats that arise in the process of transition to a new form of accounting. In addition, the paper examines the legal framework, principles and tools for transforming financial reporting methods depending on the country under study and the prospects for organizations' activities in these conditions.

Results and discussions. According to the Decree of the President of the Republic of Uzbekistan "On additional measures for the transition to international financial reporting standards", from January 1, 2021, joint-stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers were required to organize accounting on the basis of IFRS. To do this, by the end of 2021, the above-mentioned organizations were required to ensure sufficient number of accounting service employees in the number of at least three specialists with an international certificate of accountants. The Ministry of Finance of the Republic of Uzbekistan, which, in addition to issues of effective implementation of IFRS, is responsible for harmonizing national accounting standards in accordance with international accounting standards, was appointed as the authorized body for implementing IFRS. [5]

It is noteworthy that the need for convergence of the Uzbek National Public Sector Accounting Standards and International Financial Reporting Standards was noted in the strategy for public financial management reform in 2007, when the key task was defined as the development and implementation of national standards that comply with IFRS. Later, a joint project of the UNDP and the Ministry of Finance in 2013-2014

supported the launch of accounting and reporting reform in the public sector for the competent implementation of international financial reporting standards. [6]

However, today there is no active implementation of IFRS in the accounting process by these organizations. Among the main reasons for this problem is the lack of competent personnel in this field. In other words, there is a shortage of specialists capable of operating in accordance with the requirements of current legislation, despite the efforts made by the government.

Thus, it was established that the basis for applying IFRS in Uzbekistan would be texts translated into the state language and published by executive authorities. Moreover, the costs of training and advanced training in accordance with IFRS in accredited training centers will be reimbursed at the expense of the national budget of the country. In addition, due to the improvement of the republic's legislation, at this stage of reforms, it will be possible to use outsourcing services in the field of accounting, especially, since this is allowed by the updated version of the Law "On Banks and Banking Activities". [7]

Since this is not the first time, when process of implementing International Accounting Standards has been carried out in the country, T.Dergacheva and T.Shaidanov collected information about the situation that has developed in the past on the example of joint-stock companies. [8, p. 10] Now it is necessary to characterize the available data (Table 1)

Table 1

<u>№</u>	<u>Indicator</u>	2015	%	2018	%
1	Registered joint-stock companies in the Unified Corporate Information Portal	604	100	619	100
2	<u>Of them:</u>				
	submitted reports under the IFRS system	289	47.8	251	40.5
	submitted a full set of reports under the IFRS system	31	5.1	28	4.5
3	Are required to submit consolidated reports under the IFRS system	220	100	244	100
4	submitted consolidated reports under the IAS	32	14.5	35	14.3

IFRS as an international accounting system is becoming increasingly widespread, so in 2020 more than 140 countries around the world switched to this form of reporting. It should be noted that in the countries of the European Union, there is no mandatory requirement for everyone to draw up this reporting form. Since its intended purpose is to provide information to investors in order to attract financing, it is only necessary for organizations whose securities are listed on the stock exchange to prepare financial statements in accordance with IFRS. In countries, such as the United States, the United Kingdom, and Israel, where capital is generated almost entirely through the securities

market, the demand for IFRS is correspondingly much higher. [9] Already in 2006, the number of Western organizations that adopted IFRS exceeded 8,000. [10]

The Republic of Kazakhstan is one of the first post-Soviet countries taken measures to integrate into the world community, so the government of the country took measures to implement the IFRS system back in 2002, and the full transition was supposed to be completed before 2007. According to the country's legislation, only public interest organizations were required to switch to IFRS, but the problem of staff shortages was also raised in the republic. In addition, the country has long been dealing with the development of recommendations for accounting in accordance with international standards, harmonization of tax accounting, training of specialists, organization of monitoring and control of compliance with IFRS. [11]

Among the Asian countries that initially adapted their national standards to meet IFRS, China and Japan stand out. These countries have demonstrated incredible success in implementing international standards. At the same time, the capitalization of companies reporting according to Japanese standards was 11% of the global value. China and Hong Kong immediately ordered the introduction of an international reporting form for listed companies. The Philippines, in turn, has adopted IFRS without changes and declared the system mandatory for all. [12]

Conclusion. Thus, the significance of the transition to international financial reporting standards lies in the globalization and unification of information provided to external users. This method will allow you to attract more funding, on the one hand, and qualitatively assess possible risks, on the other. In the context of the transition of the Republic of Uzbekistan to a market economy, special attention is paid to the compliance of the information provided with international requirements, as this will also ensure its usefulness and ease of use.

At this stage, the country may face a number of problems related to the implementation of IFRS, due to the lack of competent personnel and the indifference of private organizations to the requirements of the government, resulting from past experience.

Nevertheless, Uzbekistan has the necessary capacities to overcome the emerging obstacles, and in this situation it has the opportunity to apply foreign experience in implementing International Financial Reporting Standards. It should be noted that the creation of a stable legal framework on this issue and the implementation of measures in this direction will ensure the achievement of the necessary result.

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