



Improvement of the Financial Reporting Process on the Basis of the Requirements of International Standards

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Abstract:

In this article, the directions for improving the preparation of financial statements based on the conceptual foundations and principles of financial reporting and the requirements of international standards of financial reporting are presented. Also, proposals and recommendations were developed regarding the methods of transforming financial reports into the International Financial Reporting Standards (IFRS) format and their application.

Keywords: Financial reporting, international standards of financial reporting, balance sheet, statement of comprehensive income, statement of cash flows, statement of equity, going concern.

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Introduction

In various countries of the world, special attention is paid to scientific research aimed at improving the preparation and auditing of financial statements in joint-stock companies in the context of the globalization of the economy. In these studies, the issues of compliance with accounting principles, improvement of the financial status report, improvement of profit and loss and other gross income accounting have been solved in these studies. It should be recognized that in the field of research, at the same time, the transformation of financial reports to international standards, the improvement of the process of assessing the events after the reporting period and the continuity of activities in the audit of financial statements have been achieved. However, a number of current issues related to the preparation of financial statements at the level of international standards have not yet been fully resolved.

In the Republic of Uzbekistan, special attention is paid to the development of the activities of joint-stock companies, the introduction of principles of corporate management in them, the organization of accounting based on the requirements of international standards.

These tasks show the importance of organizing financial reporting based on international standards and improving its methodological foundations.

Literature Review. The essence of the financial report is explained in detail in normative legal documents and economists.

According to Article 22 of the Law of the Republic of Uzbekistan "On Accounting", "Financial reporting is based on systematized information on the financial status of the accounting entity as of the reporting date, the financial result of its activities during the reporting period, and the movement of funds consists" [1].

According to the National Accounting Standard (NAS) No. 1 "Accounting Policy and Financial Reporting", "Financial reporting is a separate independent economic entity or a consolidated group of economic entities. regardless of this is a method of presenting financial information describing the activity of the economic entity in a certain period" [2].

According to the Conceptual basis for preparation and presentation of financial statements, the purpose of financial statements is to provide information on the financial status of the accounting entity as of the reporting date, the financial results of its activities during the reporting period, and the movement of funds. However, the financial report does not contain all the information necessary for users to make economic decisions, because the report mainly reflects the results of previous events" [3].

National Accounting Standard (NAS) No. 1 entitled "Presentation of Financial Statements" states that "financial statement is a report designed to meet the needs of all users, not intended to meet specific informational needs" [4].

B.A. Khasanov, A.A. Khashimov, A.B. Mukhametov, A.A. Abduvokhidov stated that "the financial report consists of systematic information about the financial status of the accounting entity

as of the reporting date, the financial result of the reporting period and the movement of funds [5].

A financial report is a set of information on the results of the sale of products (works and services) by economic entities, which shows the state of the entity's financial economic activity for a certain period (quarter, annual) is reflected in the form of value [6].

According to Z. Sobirova, "International standards of financial reporting are rules adopted in the public interest of preparing and presenting financial reports. It is an international accounting system. International Financial Reporting Standards (IFRS) have a prescriptive description. These standards are also used because regulatory agencies around the world recognize the importance of unifying financial reporting rules and support the work of the International Financial Reporting Standards (IFRS) committee" [7].

U.Singh conducted research on financial statements and said that "the accounting process includes recording, classifying and summarizing various economic transactions. Financial statements are the result of this process, which provides a variety of information related to profitability and financial status," concluded [8].

According to a group of economists, "Financial statements are used by the management of the company as a basis for making management decisions. Financial reporting information is considered necessary for the analysis of activities, it is possible to determine the reasons for deviations from the parameters set in the plan and to identify unused production reserves" [9].

R. Buvaneswari and S. Lakshmi stated that "the financial report is an official document on the financial activity of an enterprise or organization, which must be prepared based on the concept and principles of accounting" [10].

According to a group of economists, "in the context of globalization, financial reporting data and other data, information on the financial position of entities, financial indicators and cash flows are very useful for users to make economic decisions. "It will be" [11], they agreed.

According to the results of the research, the following definition was formed, the financial report is a document confirming the official indicators of the financial activity and status of the enterprise or legal entity. It usually includes three main components: the statement of comprehensive income (or statement of profit and loss), the balance sheet, the statement of shareholders' equity, and the statement of cash flows report on.

Analysis and results. In our country today, there are strict requirements for drawing up financial reports based on the requirements of international standards. In particular, according to the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 No. PQ-4611 "On additional measures for the transition to international standards of financial reporting", "joint-stock companies, commercial banks, "starting from January 1, 2021, legal entities included in the category of insurance organizations and large taxpayers, organize accounting based on international standards of financial reporting and prepare financial reporting based on international standards starting from the end of 2021" [12]. International standards of financial reporting embody uniform principles and requirements for the preparation and disclosure of information in the financial statements of an economic entity.

The main task of International Financial Reporting Standards (IFRS) is to ensure that information about the activity of an economic entity can be compared with information about another entity. Due to many factors, there are certain differences in the financial statements of economic entities in different countries. However, differences in approaches to the content of financial statements significantly complicated information analysis and decision-making in the context of globalization of international trade, transnational corporations and financial markets.

The main standard that regulates the formation of financial statements based on international standards is the National Accounting Standard (NAS) No. 1 entitled "Presentation of Financial Statements". It defines the criteria for compliance with the provisions of this standard, as well as determines the requirements for importance, continuity of activity, shows the mandatory components of financial statements and the procedure for presentation. The standard contains proposals for the preparation of each of the main reporting forms, and defines general requirements for identifying and evaluating report elements.

Paragraph 8 of the National Accounting Standard (NAS) No. 1 provides a complete set of financial statements as follows:

"financial statement;
profit or loss and other comprehensive income statement (gross income statement);
report on changes in capital;
cash flow statement;
an explanation together with a brief description of significant elements of accounting policies and other descriptive notes" [13].

In addition to the above-mentioned reports, financial reports may include reports on environmental protection and other additional reports that facilitate the work of users in making economic decisions.

Until now, in many countries, it is possible to prepare financial statements in accordance with national standards, and then make the necessary changes to gradually implement the transition to International Financial Reporting Standards (IFRS). This process is called "transformation" [14].

Transformation of financial reports in accordance with the requirements of International Financial Reporting Standards (IFRS) is carried out on the basis of reports prepared in accordance with national standards. This process can be carried out by classifying accounting objects and arranging assessment elements. The goal is to align financial statements with the International Financial Reporting Standards (IFRS) format.

Transformation of reports is the process of making the necessary corrections (changes) in accordance with the International Financial Reporting Standards (IFRS) in the reporting materials previously prepared in accordance with national accounting standards. This procedure should be carried out during the reporting period.

In our opinion, the main disadvantage of this process is the complexity of parallel accounting. The specialist involved in the transformation of the report can independently choose the methodology and determine the stages of the process. The choice directly depends on subjective factors such as accounting, specific features of financial and economic activity, resources (financial, material and labor), accounting policy and detailed level of reporting.

Unfortunately, there is no single published approach to the transformation, so each accountant and economist must develop a separate algorithm. In addition, it is allowed to choose the methodology and steps used to change financial statements in International Financial Reporting Standards (IFRS).

Table 1 shows the methods of transforming financial statements into the International Financial Reporting Standards (IFRS) format. Because financial information is an important tool for prudent and informed decision-making, it must be of high quality. The volume of investments involved and the amount of capital depend on this factor, as well as the financial condition of the company and its development in the market.

Table-1

Methods of transformation of financial statements into the International Financial Reporting Standards (IFRS) format ¹

№	Method name	Description
1.	Full transformation	This method introduces the necessary changes in the existing reporting system that eliminate clear differences between International Financial Reporting Standards (IFRS) and national standards. The correction is made based on the information obtained from the original documents. According to International Financial Reporting Standards (IFRS), such information is presented in hyperinflationary conditions. Financial statements are presented in national currency.
2.	Complete transformation, taking into account hyperinflation	This method, like the previous one, makes all the necessary changes. Financial statements are presented in national currency in accordance with the requirements of the International Financial Reporting Standards (IFRS), with appropriate changes taking into account changes in the value of money.
3.	Complete transformation, taking into account the requirements for converting indicators into foreign currency	This conversion method requires the conversion of financial statements from the national currency to a stable foreign currency. It occurs in hyperinflation, so it can be compared with foreign organizations or merged with a foreign foreign company.
4.	Full conversion	This method consists of parallel pair computation. This parallel accounting method is suitable for accounting of all financial and business transactions for companies using accounting software. At the same time, companies will have the opportunity to present a complete set of financial statements defined by International Financial Reporting Standards (IFRS).
5.	Stepwise conversion	Companies that do manual accounting use stepwise conversion. They provide information on International Financial Reporting Standards (IFRS) in several stages and at the same time maintain computerized accounting. In addition, computerization is gradually introduced in the field of accounting. In order to provide the necessary information in accordance with the International Financial Reporting Standards (IFRS), if the accounting areas are not covered by double counting methods, it is necessary to make adjustments comparable to the International Financial Reporting Standards (IFRS).

All countries that have adopted international standards need retraining of employees to study International Financial Reporting Standards (IFRS). This allows to effectively and efficiently use absolutely all opportunities in the international capital market [15].

Table-2

¹ Author development

Methods of reporting in the International Financial Reporting Standards (IFRS) format ²

№	Method name	The essence of the method
1.	Parallel account	The account is made simultaneously in accordance with national and International Financial Reporting Standards (IFRS).
2.	Combined method	The account maintained on the basis of the national accounting standard (NAS) is periodically adjusted based on the International Financial Reporting Standards (IFRS).
3.	Report transformation	Indicators of reports according to International Financial Reporting Standards (IFRS) are formed on the basis of report data prepared in accordance with national standards.

The parallel method is widely used in the countries of the world as part of the reporting methods in the International Financial Reporting Standards (IFRS) format. In this way, a financial report is prepared based on both national and international standards.

Conclusion. The following conclusions were formed as a result of the research conducted on improving the preparation and auditing of financial statements in joint-stock companies:

1. Joint-stock companies play an important role in the economy of our country, in the formation of gross domestic product and budget revenues. Currently, it is important to introduce modern corporate management methods in joint-stock companies, to ensure that the reports prepared by them meet the requirements of international standards, and to confirm the reliability of the presented reports based on international standards.

2. One of the main functions of accounting is to provide internal and external users with information. Financial reporting is an important source of information for the management of joint-stock companies and employees, the state, investors and other interested parties.

3. The financial report contains important information about the financial status, financial results and cash flows of economic entities during the specific reporting period. Therefore, the financial report is the main financial document of any business entity.

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