

# Use of Automated Software Products in Making Financial Reports Based on IFRS (International Financial Reporting Standards) in Joint-Stock Companies

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**ABSTRACT:** In this article, making and implementation of a unified automated accounting system and unified data management platform, as well as improving the efficiency of implementation, is investigated. Moreover, this article considers views on the concept of accounting and tax accounting in accordance with IFRS for employees of the accounting services of the Group's enterprises.

**KEYWORD:** Electricity, 1C platform, consolidated financial statements, automated program, transformation, fairvalue.

## 1. Introduction

It is important to develop recommendations for the management of the enterprise participating in the development of a plan of measures (road map) for the systematic implementation of the process of implementing the IFRS in energy enterprises and the effective use of the necessary aggregates.

The steps of transferring the report to the form of IFRS are given in the table below (Table 1).

Compiling a report using the transformation method can be done not only by one's own efforts, but also with the involvement of outside experts.

**Table 1 The steps of transferring the report to the form of IFRS <sup>1</sup>**

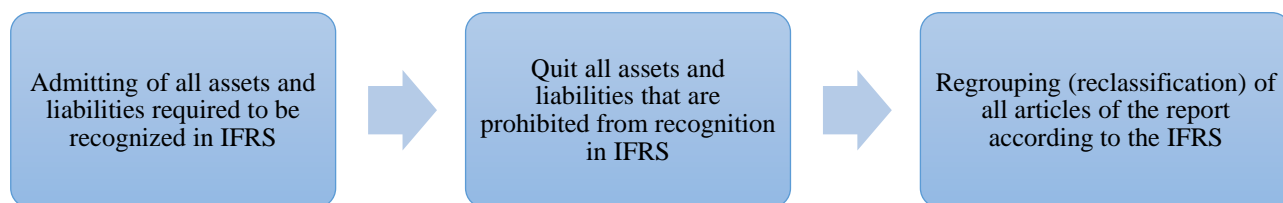
1 <sup>st</sup> step	<p>Comparison and generalization of the requirements and standards for the formation of financial reports with IFRS rules in accordance with the legislation of Uzbekistan.</p> <p>For this, it is necessary to compare and study detailed aspects of the National Accounting Standards (NAS) with the standards of IFRS: 1 "Presentation of Financial Reports", IFRS 7 "Cash flow statement (CFS)", IFRS 1 "First-time Adoption of International Accounting Standards (IAS)".</p> <p>The study of these materials allows to determine the differences of the formation of necessary financial</p>
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<sup>1</sup> Created by author

	reporting indicators in the process of transfer of financial statements into the IFRS.
<b>2<sup>nd</sup> step</b>	Analyzing the features of the organization of the accounting statement in a certain enterprise: the requirements for the formation of accounting and financial statements, the accounting policy of IAS.  Accounting policy of the organization - is a set of methods of accounting by organization, in particular: initial observation of economic activity facts, value measurement, current grouping and final summarization. Depending on the results of the analysis of the organization's accounting policy, the parts of the account that require special attention are allocated, and the main directions of future work are determined.
<b>3<sup>rd</sup> step</b>	On the basis of the analysis carried out in the second stage, the creation of an accounting policy for the IFRS will be carried out.
<b>4<sup>th</sup> step</b>	Identification of differences in the accounting policy and preparation of accounting statements according to the IFRS, compiled for the society, to form a list of corrective entries.  The specific sections of the company's accounting policy are compared, and their compliance with the requirements and principles of the IFRS is checked. Great attention is paid to the main assumptions of IFRS: payroll and compliance with business continuity.
<b>5<sup>th</sup> step</b>	Correction and reclassification of financial statement indicators according to IFRS, formation of financial statements and their explanations which set for testing according to the National Accounting Standards(NAS).  Corrective transfers are drawn up, they must meet the basic assumptions, principles, indications and limitations of the NAS in terms of their economic content. They bring the importance of each account in terms of economic content and quantitative signs to the level of international accounting standards.  Reclassification - is the transfer of information from one statement item to another, often remaining the amount in the corresponding item unchanged. For instance, the reclassification of short-term parts of long-term loans. They are reflected as short-term liabilities in the report prepared on the NAS.
<b>6<sup>th</sup> step</b>	Change and correction of reporting indicators, taking into account inflation.
<b>7<sup>th</sup> step</b>	Transfer of the financial statement, prepared according to the IFRS, to another currency. The rules for accounting for changes in exchange rates are demonstrated in IAS 21 "Effects of changes in exchange rates".

First time transition to IFRS.

During the first transition to IFRS, it is required to comply with the provisions of IFRS 1 “First-time Adoption of International Financial Reporting Standards”, which requires a completely prospective approach (Figure 1).



**Figure 1. IFRS 1 “First-time application of International Accounting Standards”<sup>2</sup>**

At the first transition to IFRS, all adjustments are made on retained earnings (in the entry balance) to the status of the transition date. The date of transition to IFRS is two years prior to the reporting date. IFRS 1 “First-time Adoption of International Financial Reporting Standards” defines the transition date as follows: “The earliest beginning of the period for which a company presents complete comparative information on IFRS in its first IFRS report”.

The IFRS requires all articles to be presented both on the “face” of the reports and in the appendices together with their corresponding comparative information for the previous period. No figure can be presented without such information for the same previous period (year, half year or quarter respectively).

## 2. Literature review.

As noted by economic experts H. Irgashev and I. Akhmadkhanov, for the first time in our republic, in 2013, the National Association of Accountants and Auditors of Uzbekistan (NAAAU) in cooperation with the relevant state bodies and international financial institutions translated the standards of IFRS into Uzbek. The Chamber of Auditors of Uzbekistan, the Ministry of Finance, the Central Bank and major audit organizations participated in the translation process as members of the “Review Commission”.<sup>3</sup>

Economists A.Karimov, I.Kuziev and M.Rahimov cited the following: transition to international standards of financial reporting(IFRS), comparative analysis of expansion of future activities and objective assessment of the economic, property and financial status of enterprises and organizations, their financial results in the past periods, searching external financial organizations gives an opportunity involve capital from international financial institutions<sup>4</sup>.

Economist I.Ismanov stated the following in his scientific article: The IFRS is considered as a set of rules of preparation and presentation of financial reports that adopted in the social interest. It is a received international accounting system<sup>5</sup>.

Currently, most scientists in our country are justifying the need for transition to international standards of financial reporting(IFRS) and the processes of conducting its audit, determining ways of transition and

<sup>2</sup>Done by Author

<sup>3</sup>Ҳамид Иргашев, Иброҳим Аҳмадхонов. // Ўзбекистонда молиявий ҳисоботнинг халқаро стандартларига ўтиши: янгича ёндашув ва имкониятлар. [https://uza.uz/uz/posts/ozbekistonda-moliyaviy-hisobotning-xalqaro-standartlariga-otishi-yangicha-yondashuv-va-imkoniyatlar\\_190586](https://uza.uz/uz/posts/ozbekistonda-moliyaviy-hisobotning-xalqaro-standartlariga-otishi-yangicha-yondashuv-va-imkoniyatlar_190586)

<sup>4</sup><https://xs.uz/uzkr/post/moliyaviy-hisobotning-khalqaro-standartlari-unga-moslashish-jolida-qandaj-chora-tadbirlar-kozda-tutilgan>

<sup>5</sup> <http://uzscite.uz/wp-content/uploads/2020/02/38-44.pdf>

offering to teach it as a separate science course (J.Kurbanbaev, S.Djumanov, Z.Sagdullaeva, N. Mirzarahimova, M. Marpatov, A.K.Ibragimov, N.K.Rizaev, M.Tulakhodjaeva, K. B.Urazov).

According to V.A.Terekhova, “One of the main reasons for the use of international standards of financial reporting by various countries is to report on the reduction of the company's expenses”. In our opinion, it is necessary to conduct some research on this point, because the international standards of financial reporting provide slightly different rules for the evaluation of items in the financial statements than the accounting rules (the concept of "fair value" is widely used)<sup>6</sup>.

According to O.V.Solovyov, “International standards of financial reporting have truly international significance and combine the experiences of a number of countries”.

V.A.Terekhova “International and national standards of accounting and reporting” distinguished the following six forms of application of international standards of financial statement in different countries:

1. Using international financial reporting standards as national financial reporting standards and conducting its audit (Cyprus, Kuwait, Latvia, Malta, Pakistan, Trinidad and Tobago, Croatia).
2. Using International Financial Reporting Standards as a national standard, while having their own national standards and conducting audits on matters not covered by International Financial Reporting Standards (Malaysia and Papua New Guinea).
3. Using international financial reporting standards as national accounting and reporting standards and conducting its audit, due to national characteristics, countries where international financial reporting standards undergo certain changes (Albania, Bangladesh, Barbados, Zambia, Kenya, Colombia, Poland, Sudan, Thailand, Uruguay, Jamaica).
4. Development of national financial reporting standards in accordance with the International Financial Reporting Standards, giving additional explanations to international regulations (China, Iran, Slovenia, Tunisia and the Philippines).
5. Using the international standards of financial reporting as a basis for the preparation of national standards, although the national standards of financial accounting can be covered in more detail, they may additionally include some requirements for the preparation of financial statements that are not provided for in the international standards of financial reporting (Brazil, India, Ireland, Lithuania, Mauritania, Mexico, Namibia, Netherlands, Norway, Portugal, Singapore, France).
6. Australia, Hong Kong, Denmark, New Zealand, Sweden are also developing national financial reporting standards in line with the International Financial Reporting Standards, while each national standard has provisions comparable to the International Financial Reporting Standards.

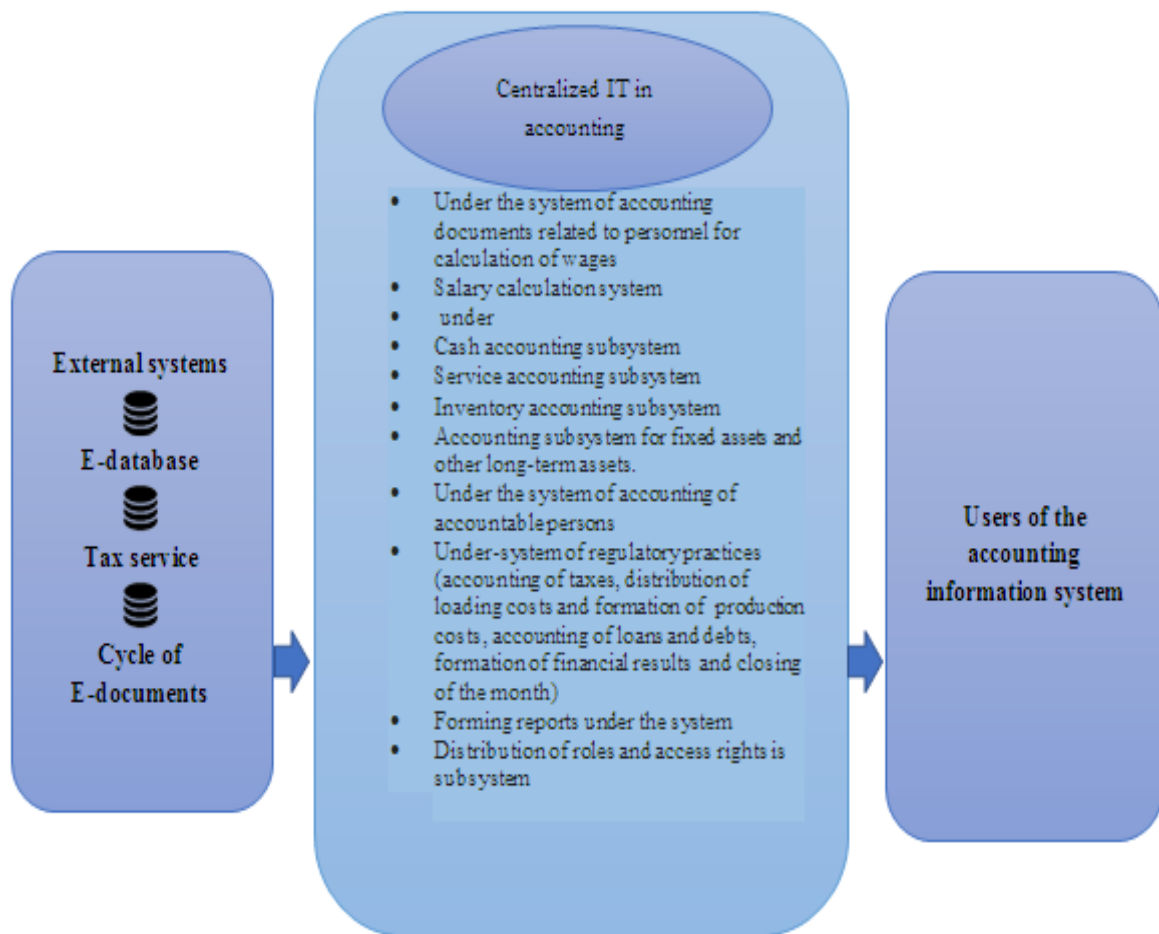
### 3. Research methodology

Logical observation, critical study of literature, induction and deduction, systematic analysis, economic analysis, comparative methods, analysis and synthesis, grouping, expert assessment, abstract-logical thinking methods were used in the processing of the data obtained during the research.

### 4. Data analysis

Figure 2 shows the status of accounting and reporting software products used in electricity generating enterprises and organizations and assessment of the possibilities of connecting to other IT systems used.

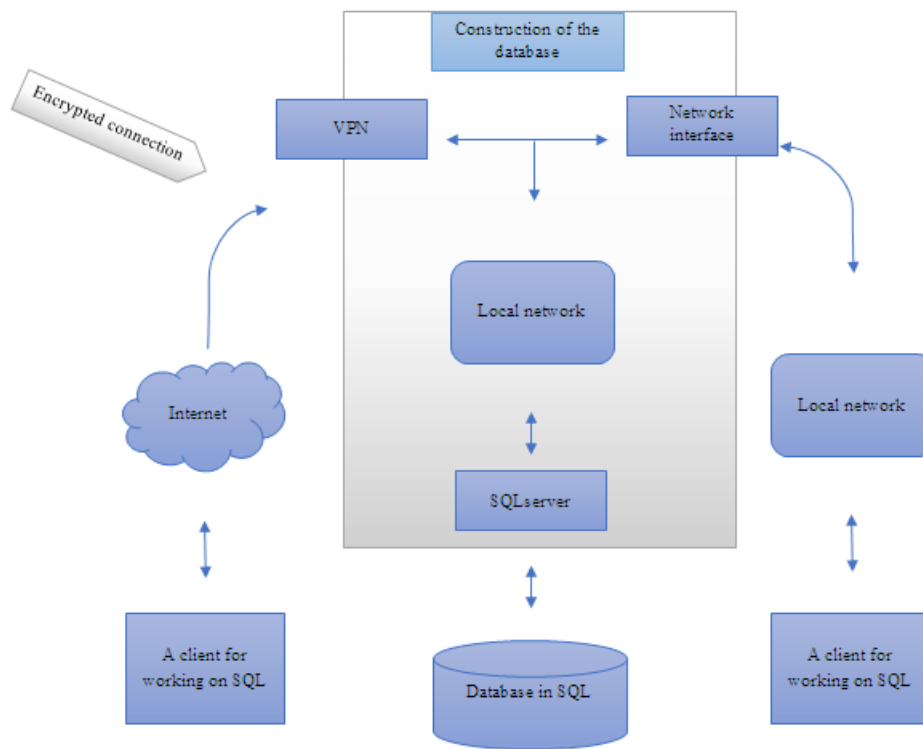
<sup>6</sup> Терехова В.А. Бухгалтерия хисобиниг миллий ва халқаро стандартлари «Иқтисод ва ҳаёт» 2000 й.



**Figure 2. High-level construction of the accounting information system<sup>7</sup>**

**First stage:** Preliminary measures to prepare for the creation and implementation of a unified accounting configuration (unified automated accounting system for a separate enterprise within the Group) and the Group's data management platform for the purposes of preparing the Group's consolidated report.

<sup>7</sup> Done by Author



**Figure 3. General software construction of the 1S database<sup>8</sup>.**

Organization of bookkeeping according to the IFRS, general issues of tax reporting and preparation of the first financial statement in accordance with the IFRS, and approaches to performing tasks in this regard.

Reorganization of the accounting service departments of "Thermal Power Plant" JSC and its subsidiaries and organizations in accordance with the recommendations of the consultants on IFRS.

After it adapts to the requirements of the IMS, within the framework of the implementation of the model software, these experts should coordinate the implementation process in order to gain practical experience of accounting and tax accounting based on the information on the IMS, in accordance with the recommended plan for the transition to the IMS in all enterprises of the Group.

Moreover, at the implementation stage, it is necessary to envisage collective training of all employees of the service in accounting according to a program developed separately for each group of specialists (based on their competencies and responsibilities).

**Second stage:** Creation of a single model configuration of accounting (unified automated accounting system for individual enterprises of the Group) and a complex automated solution for the purposes of preparing the consolidated report of the Group.

Development of a single model accounting configuration according to the IFRS (unified automated accounting system) for the purposes of accounting and tax accounting by a separate enterprise of the group.

Development of a unified plan of accounting statements and a unified plan of tax accounting accounts on the basis of IFRS.

<sup>8</sup> Done by author

In order to maintain accounting and tax accounts on the basis of IFRS and to automate them, it is necessary for the Group to develop a plan of accounts according to IFRS. Since there are no regulations and rules on the use of any chart of accounts for accounting purposes in the requirements of the IFRS, the Group itself has the right to independently determine the data summary structure in order to reflect them in the financial statements prepared in accordance with the IFRS.

This may be a completely new chart of accounts, in accordance with the structure of the financial statement items, as described in IAS 1 "Presentation of Financial Statements", or it may be an existing one, in terms of finalizing the development of the model software and optimizing the work on its implementation. It is also possible to adapt the chart of accounts under NAS 21 for the purposes of IFRS.

In our opinion, it is appropriate to use the current working account plan of the enterprise according to IFRS 21 as a basis for the Chart of Accounts according to the IFRS for the purposes of systematizing and automating the accounting in accordance with the NAS on the basis of the already used software. This allows to shorten the process of customizing (finishing) the sample software, both in terms of work volume and duration, and in terms of putting it into use.

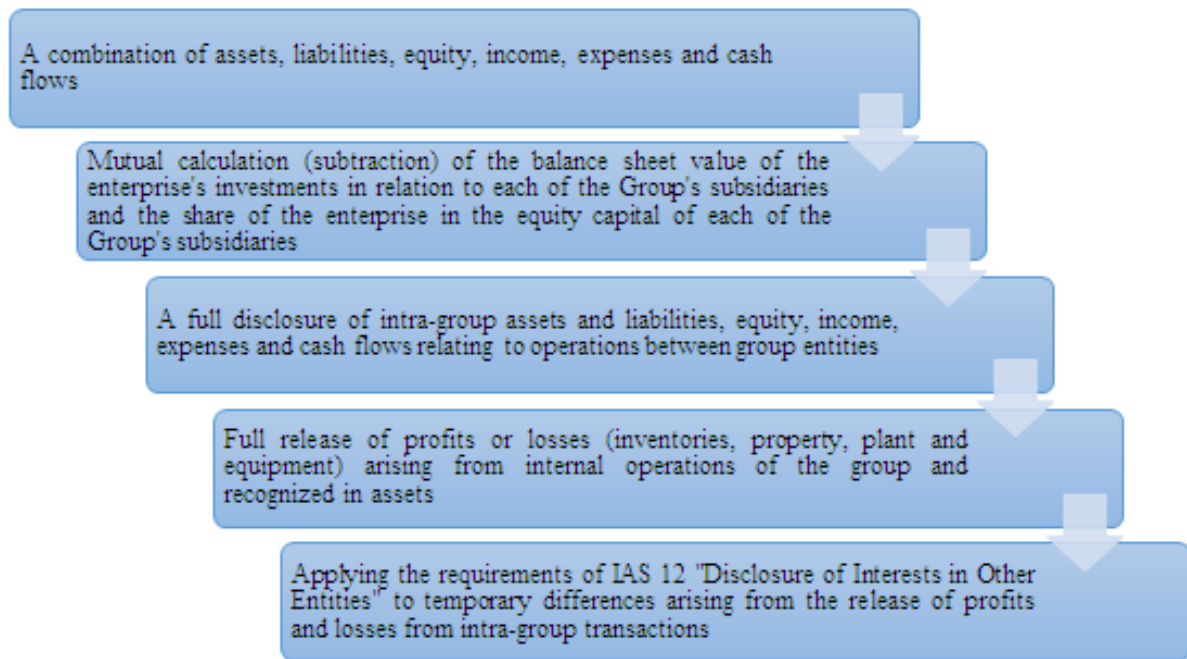
An analysis of the parts of the calculation and development of information entry and generalization control procedures for the purposes of preparing a consolidated financial statement on the IFRS based on benchmark corporate classifiers is presented (Fig. 4).

**Figure 4. Consolidated Financial Statements on IFRS<sup>9</sup>.**

At this stage, it is necessary to analyze all parts of the Group's accounting and classify them in accordance with IFRS 10 "Consolidated financial statements" in accordance with the following procedures (Figure 5):

<sup>9</sup> Done by author





**Figure 5. Description of procedures based on consolidated financial statements**<sup>10</sup>

Training of staff of accounting services of group enterprises.

Before introducing the sample software developed in accordance with the requirements of IFRS, it was recommended that the staff of accounting services undergo a training course based on a previously prepared program. The established training program should include modules designed to train both specialists responsible for individual parts of accounting and management.

**The third stage:** First testing of a single configuration of accounting (unified automated accounting system) and an integrated automated solution for the purposes of preparing the Group's consolidated financial statements.

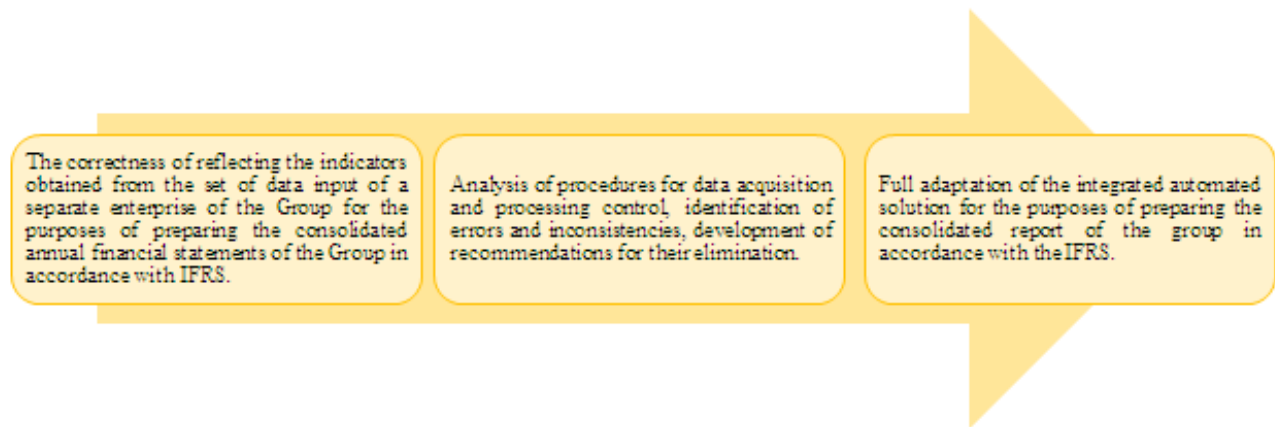
Implementation of a unified automated account system for testing. ("TPP" JSC, "Tashkent TEC" JSC va "Tashkent TPP" JSC).

"ИЭС" АЖ, "Тошкент ИЭМ" АЖ ва "Тошкент ИЭС" АЖ бухгалтерия ҳисоби хизмати мутахассислари томонидан бирлаштирувчи компания ва ташқи маслаҳатчи-услугчилар билан биргаликда Гуруҳнинг ушбу босқичи доирасида қуйидаги ишлар амалга оширилади (6-расм):

The following activities are carried out by the specialists of the accounting service in "TPP" JSC, "Tashkent TEC" JSC va "Tashkent TPP" JSC together with the merging company and external consultants-stylists within the framework of this stage of the Group (Fig. 6):

<sup>10</sup> Done by author





**Figure 6. Stages of implementation of a complex automated solution for testing for the purposes of preparing a consolidated report in accordance with IFRS.<sup>11</sup>**

The progress of preparation of the preliminary consolidated report for 2022 according to the IFRS.

The remaining enterprises of the Group, which did not participate in the trial implementation, must prepare their reports for the purposes of including data in the consolidated financial statements of the Group in accordance with the IFRS and for taxation purposes by the method of transformation of the data from the consolidated financial statements of the Group in accordance with the IFRS.

Group uniform accounting policy.

At this stage, all deficiencies eliminated as a result of the implementation for testing are systematized and the initial version is completed by filling in the final version of the document "unified accounting policy of the group" as indicated in stage 2 of the recommended plan of transition to IFRS.

**Fourth stage:** Completion of the process of implementation of the unified accounting configuration (unified automated accounting system) and the integrated automated solution for the purposes of preparation of the Group's consolidated report on IFRS.

Full implementation of a single accounting configuration (unified automated accounting system).

At these stages, it is necessary for the enterprise to organize accounting and tax accounting in other subsidiaries in accordance with the IFRS, as well as to prepare quarterly and annual financial reports based on the automation and sample software delivered to the end of production in accordance with the IFRS.

Progress of accounting and quarterly reporting by remaining subsidiaries.

The following works are carried out within the framework of this phase of the introduction of the complex automated solution for testing, for the purpose of preparing the consolidated report of the Group in accordance with the IFRS, by the specialists of the accounting services of "Thermal power stations" JSC and the rest of its subsidiaries, together with the merging company and external consultants-stylists:

Based on the above, it is appropriate to use the mechanism of the automated program in the preparation of financial reports on the IFRS in the enterprises of the power industry (Fig. 7). This automated program serves to increase work efficiency, reduce time consumption, prevent possible errors, and increase the accuracy and comprehensibility of financial reports.

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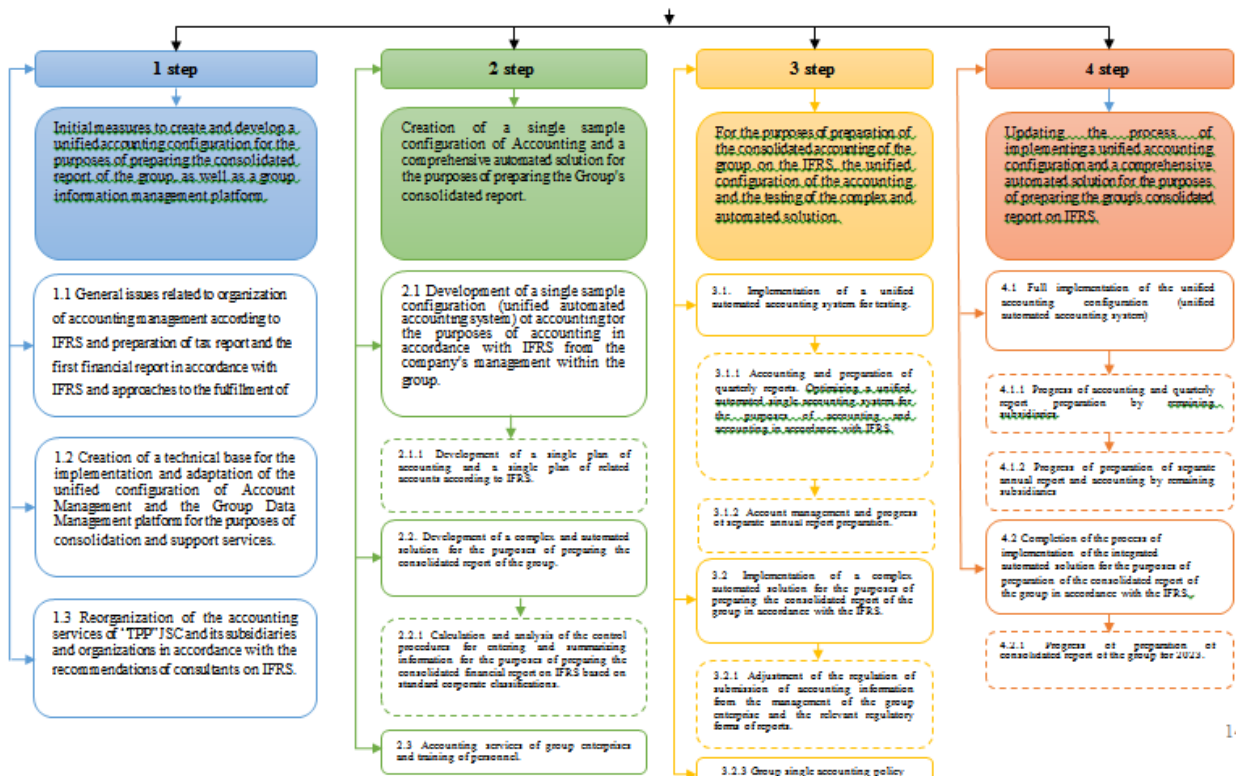


Figure 7. Mechanism of operation of automated program in preparation of financial reports on IFRS<sup>12</sup>.

## 5. Conclusion and recommendations

It is required to use a single accounting policy for all periods presented in the first financial statements of the IFRS.

The main steps to be taken for a systematic transition to IFRS:

1. The accounting policy must be in accordance with the standards in effect as of the last date of the reporting period in the first report on the IFRS (in this example, the accounting policy must be in accordance with the IFRS effective as of December 31, 2020, not the previous versions of those standards).
2. In order to be included in the report on the first prepared IFRS, a comparative balance sheet must be prepared in accordance with the IFRS, this comparative information must be fully compliant with the IFRS (ie, as of December 31, 2019).
3. It is necessary to use selected accounting policies and selected valuation methods to recognize all items of financial statements at the transition date.
4. The accounting policy selected shall be applied to all periods presented.
5. IFRS 1 First-time Adoption of International Financial Reporting Standards may allow for "optional exceptions" to the retrospective approach, provided that the full retrospective approach is still the rule:

<sup>12</sup> Done by Author

Business mergers;

Fair value as implied value;

Foreign currency gross translation difference;

Rewarding employees;

Combined financial instruments;

Subsidiaries, affiliated companies, joint ventures.

There are "mandatory exceptions" to the retrospective approach, which include:

hedge accounting;

derecognition of financial assets and liabilities;

grades.

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