

## Directions for Improving Financial Reporting in Joint-Stock Companies

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**ABSTRACT:** In the article, the theoretical basis of financial reporting in joint-stock companies and the opinions of economists are analyzed and the issues of improving financial reporting are mentioned.

**KEYWORD:** joint-stock company, financial reporting, international standards of financial reporting, golden share, corporate governance.

In connection with the deepening of democratic reforms and the transition to a market economy system in our country, effective use of existing funds and optimal management of assets of joint-stock companies is one of the main tasks before them. Because the sustainable development of joint-stock companies is directly related to the effective management of its existing funds and the legality of the information provided in the financial report. Thanks to the economic reforms carried out in the system of large enterprises, which are considered an important link of our economy, the stability and favorable development of the enterprise system depends on the extent to which the legal basis of its activity is ensured. For this purpose, it is no exaggeration to say that the legal basis of the enterprise system was created at the first stage of reforms.

As a clear example of this, as a result of the adoption of the Decree of the President of the Republic of Uzbekistan No. PF-4720 of April 24, 2015 "On measures to introduce modern corporate management methods in joint-stock companies", the activities of all joint-stock companies in our country were fundamentally re-evaluated, and some joint-stock companies were reorganized and having studied international experiences in this regard, their attention to the introduction of modern corporate management and the attraction of foreign investments has been strengthened[1]. For this, it is important to increase the investment attractiveness of joint-stock companies and ensure their active participation in the trading of securities in their markets.

Based on this, below, we can highly appreciate our work on attracting investments by joint-stock companies and effectively organizing their trades related to securities. In addition, in the Decision 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", the importance of developing a regulation on the procedure for drawing up financial reports of joint-stock companies based on international standards of financial reporting and regular updating of international standards of financial reporting[2] was mentioned.

In addition, it is not without reason that the Law No. URQ-760 signed by the President of the Republic of Uzbekistan in March 2022 "On amendments and additions to certain legal documents of the Republic of Uzbekistan in connection with the improvement of the corporate management system" was approved.

In particular, the removal of the “Golden share” rule stipulated in Article 22 of the Law “On the Protection of the Rights of Joint-Stock Companies and Shareholders” will in turn reduce the interference of the state in the activities of enterprises and guarantee equal rights to all shareholders in the management of the company.

Therefore, the issue of gradually transforming the financial reports prepared by joint-stock companies to the requirements of the international standard will come up by itself.

In this regard, foreign scientists, including E.S. Handriksen and M.F. Van Breda paid attention to the fact that accounting is the language of business. They cited that “a speech expressed in a single language impresses the listener, conveys the meaning completely, and does not come to a logical conclusion”[8].

B. Needles, H. Anderson, D. Caldwell gave the following definition: “Financial reporting is true information about the financial and economic activities of a business entity. Therefore, the financial report must cover all the aspects of the entity and should not create an alternative option”[5].

Scientists of our country have also done a lot of work in this regard:

Professor R.D. Dismuratov defines it as: “Accounting (financial) report is a collection of interdependent reports presented in a form approved in the appropriate manner, as a result of the company’s activities for the accounting period”[4].

Economist I. Ochilov gives the following definition: “Financial report is a collection of accurate information on the amount and results of the financial investment of an economic entity during the reporting period, which is used for economic analysis, rational analysis of economic activity, and effective management”[6].

S. Toshnazarov, another economist, gives the following definition: “Financial reporting is a means of realizing the purpose, functions and tasks of financial accounting. It is a system that incorporates reliable information on the financial status of the enterprise for the past period, the results of its financial and economic activities, changes in funds and private capital, and is aimed at providing information users with the need for information for decision-making and control”[7].

Economist I. Avazov expressed the following opinion about the preparation of financial statements based on international standards: “The emergence of international standards of financial statements led to the emergence of new relations in business and interstate relations. Presentation of financial statements on the basis of common rules means that users, including investors, have the opportunity to compare information about companies located in different countries, analyzed by them”[3].

Financial reporting can be used in this broad sense. It can include a report on work performed, a report on the cost of products, a report on daily working hours, a department report, a report on the movement of material assets, a tax report, an accounting report, statistical reports and other reports. It can be concluded that the concept of reporting is a broad concept, it is a process that is used in all broad aspects without being a concept related to accounting.

Financial reporting refers to the preparation and transmission of useful information in special forms about past events and processes, completed works, activity results for the purpose of decision-making and management based on the requirements of information users. Through financial reports, activity is monitored, relevant decisions are made. Future work will be planned.

Accounting report refers to the system of formalization and transmission of information collected in special forms with the help of financial and management accounting in the enterprise. It will be possible to include a report on manufactured products, a report on product cost, a report on labor hours and wages, and financial reports to accounting reports.

The financial report is the most effective report of the accounting report, with the help of which the results of

all economic and financial activities are summarized and the information is disclosed to external and internal information users in special forms. Therefore, it is important that we understand financial statements from a theoretical perspective. It is appropriate to define the theoretical foundations of financial reporting as: “A complex that covers issues such as its objects, conceptual foundations, components and elements of financial reporting, information users and their needs, the content and composition of information reflected in reports, and methods of its preparation and presentation”.

As for the components of the theoretical basis of financial reporting, it includes the following.



**Picture. A primary source of theoretical information covering financial reporting<sup>1</sup>**

International financial reporting standards not only regulate the procedure for creating and reporting financial information, but also determine the amount of information that must be disclosed and disclosed as part of the group’s published consolidated financial statements. The principles of preparation and presentation of company group information are defined in the international standards of financial reporting.

It allowed us to conclude that the main purpose of the financial statement of results is to provide structured information about the financial condition, financial and economic activity results and cash flows of the economic entity, which is useful for a wide range of users in the process of making economic decisions. Financial reports show the results of the management of resources assigned to responsible persons in order to use them efficiently during the reporting period. Assets to achieve this; obligations; amount of capital; income and expenses, including profit and loss; other changes in the share capital and cash flow of the group of companies.

When studying the main norms of international standards of financial reporting, which regulate the formation of financial statements, it is necessary to pay attention to the fact that the specific features of its preparation

<sup>1</sup> Author’s development

have carried out mutual transactions. The information disclosed in the financial report must be expressed within the approved reporting forms.

The amount of information to be disclosed in financial statements is regulated by international standards of financial reporting. Additional information is disclosed by the parent company based on the needs and interests of other users. Mandatory and additional information disclosure in the comments written by joint-stock companies to the consolidated financial statements allows to obtain timely and reliable comparable information that meets the diversified needs of interested (internal and external) users. “By developing national standards of financial reporting based on international standards, national standards are being gradually aligned with international standards of financial reporting”[9] we can also know this from the reforms in our country.

In conclusion, it can be said that financial statements disclose information to internal and external users, and we need to ensure that such information is truthful and transparent. Therefore, when examining single companies, first of all, it is necessary to reveal the financial situation of the client and the impact of external factors on the business.

Compilation of financial statements in enterprises established with the participation of foreign capital requires compliance with the requirements of international standards. It consists in determining the international standard requirements of financial reporting, the methods of preparation and presentation of financial reports. Accordingly, it allows to know the financial status of the enterprise on the basis of financial report data.

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