

UZBEKISTAN ON THE WAY TO TRANSITION TO IFRS

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Abstract. Starting from January 1, 2021, the Republic of Uzbekistan is switching to international financial reporting standards. When implementing IFRS, many problems arise related to personnel, regulatory legal acts and others. When switching to IFRS, special attention should be paid to IFRS 1 "First Application of International Financial Reporting Standards".

Keywords: IFRS, world economy, international economic relations, multinational companies, financial reporting, transformation of annual financial statements, national accounting standards of the Republic of Uzbekistan, fixed assets, depreciation, accounting chart of accounts.

Preface (Relevance of the topic). International Financial Reporting Standards (IFRS) are a common business language for many countries that have adopted this system. The relevance of the use of IFRS lies in the fact that the globalization of the economy and the active emergence and spread of transnational corporations in the twentieth century led to the need for a single business language understandable to all businessmen of the world. Multinational companies needed to compile consolidated financial statements combining the indicators of financial statements in different countries so that it was understandable to all investors. The Republic of Uzbekistan is also one of the members of the world economy, starting from 2021 it began to switch to the accounting and reporting system under IFRS. This was a necessary and necessary measure, since foreign investment and foreign trade turnover required that Uzbek financial statements be clear to all foreign investors and export and import partners.

Financial statements prepared in accordance with IFRS have more complete and reliable information about the financial condition of the company for internal and external users. Companies that prepare financial statements in accordance with IFRS will be more attractive for business in the international arena, since external and internal users freely extract the necessary information from such financial statements. Currently, in many countries, requirements are fixed at the legislative level for those companies that prepare financial statements under IFRS. Every year, more and more commercial structures are switching to IFRS on a voluntary basis.

The introduction of IFRS is not a new process for the Republic of Uzbekistan, since since 2000, IFRS have been mandatory implemented in commercial banks. Although, in these business structures, IFRS was applied only for the transformation of annual financial statements from national to international standards. But during the year, accounting and reporting were conducted according to the National Accounting Standards (NBU) of the Republic of Uzbekistan.

According to the Decree of the President of the Republic of Uzbekistan "On measures for the transition to international Financial Reporting Standards" dated 02/24/2020 No. PP-4611, starting from January 1, 2021, more than 500 large companies of Uzbekistan have switched to IFRS [1]. In these companies, during the reporting period, accounting and reporting should have

been conducted in accordance with IFRS.

There are many problems for the implementation of IFRS in the republic, for example:

- most economic entities formally meet many requirements of IFRS;
 - companies incur high expenses for the preparation of consolidated financial statements in accordance with IFRS by transforming annual financial statements prepared on the basis of the National Accounting Standards;
 - it is necessary to adapt software products of automated accounting systems to IFRS;
 - the professional training of most accountants does not meet the requirements of IFRS.
- Such accountants, and not only them, do not have enough skills to use information prepared in accordance with IFRS.

In our opinion, possible solutions to these problems are as follows:

-improve regulatory legal acts in the field of accounting and financial reporting aimed at the full implementation of IFRS (in this direction, the Accounting and Reporting Department of the Ministry of Economy and Finance of the Republic of Uzbekistan is actively working);

-create the necessary infrastructures for the application of IFRS and at the same time comply with the principles of IFRS 1 “First application of International Financial Reporting Standards” [4].

-improve even more the systems of accounting and financial reporting regulation in accordance with IFRS;

-to improve the qualifications of specialists engaged in the organization and management of accounting and preparation of financial statements based on IFRS, as well as users of financial statements;

It should be noted that the Republic of Uzbekistan is purposefully and constantly moving towards the intended goal of implementing IFRS.

Analysis of the study of the topic. In the textbook Teterleva A.S. considered mainly the practical aspects of the implementation of IFRS, there are no theoretical aspects. Here is a quote from her book: "the material presented in the book allows you to study the rules of organization and accounting of property, its sources of financing, income, expenses and financial results based on the IFRS [5].

In their textbook, Norbekov D.E., Turaev A.N. Rakhmonov Sh.Sh. analyzed all the IFRS standards very well, including the International Financial Reporting Standard (IFRS) 1 «The first application of International Financial Reporting Standards». Here they note that for the first application of IFRS (p.23) it is necessary "The first financial statements of an economic entity in accordance with IFRS should include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit and loss (if any), should include two cash flow statements and two statements of changes in equity and related notes, including comparative information with all other reports" [6]. However, it would be better if the above would be fixed by accounting entries for the transformation of financial statements from NSB to IFRS.

In S.N.Tashnazarov's monograph there is no analysis about the first application of IFRS [7].

Berdichevskaya V.O. in her textbook cites only the transformation of financial statements into IFRS, but the first application of IFRS has not been considered [8].

The main part. For operating companies, the basis for the transition to International Financial Reporting Standards is IFRS No. 1 "First Application of International Financial Reporting Standards".

The purpose of this IFRS No. 1 is to ensure that the company's first IFRS financial statements contain high-quality information.

The Company must apply this IFRS standard when preparing its first and each interim financial statements under IFRS.

The first IFRS financial statements for an organization are the first annual financial statements for which the organization accepts IFRS for use. At the same time, the company must confirm this by including in the specified financial statements an explicit and unambiguous statement of its compliance with IFRS.

The Company must prepare and submit an introductory statement of financial position under IFRS, as of the date of transition to IFRS, thus creating a starting point for accounting in accordance with IFRS.

For example, the end date of the first IFRS reporting period for Company X is December 31, 2023. Company X decides that comparative information in these financial statements will be presented only for one year. Therefore, the date of transition for this company to IFRS is the beginning of the working day on January 1, 2022 (or, equivalently, the end of the working day on December 31, 2021). Within the framework of previously applied national accounting standards, Company X annually presented its financial statements as of December 31 of each year up to and including December 31, 2022. This means that if the company switches to IFRS from January 1, 2023, it must bring in accordance with the requirements of IFRS data reports for the previous year, that is, on January 1 and December 31, 2022.

When switching to IFRS, it should be borne in mind that there are quite a lot of differences in national and international standards. For example, take the accounting of fixed assets: according to IFRS (IAS) No. 16 "Fixed assets" [2] according to national standard No. 5 is also called "Fixed assets".

First, according to the composition of fixed assets: in the national accounting standards of the Republic of Uzbekistan, farm animals are included in fixed assets, according to international standards, these objects are accounted for as part of IFRS No. 41 (IAS) «Agriculture» [3].

Secondly, items such as spare parts, backup equipment and auxiliary equipment are recognized in the financial statements in accordance with IFRS No. 16 as part of fixed assets if they meet the definition of fixed assets. If they do not respond, then such items are classified as stocks. According to the national standard, they are accounted for in the account 1040 «Spare parts».

Third, depreciation of an asset begins when it becomes available for use, that is, on the day of acceptance under the act in operation. Depreciation of the asset ceases on the date of disposal according to the act of disposal or sale. According to the national standard, depreciation charges for fixed assets begin on the first day of the month following the month of acceptance of this object into fixed assets. And it is terminated from the first day of the month following the month of full repayment of the amortized cost of this object or the write-off of this object from the balance sheet.

There are other distinguishing features between national and international standards for the accounting of fixed assets.

When switching to IFRS, it is necessary to revise our accounting chart of accounts to the requirements of international standards, that is, where new accounts need to be added. According to IFRS, there is no single accounting chart of accounts, and according to the national standard there is a special standard No. 21 "Accounting chart of financial and economic activities of economic entities and Instructions for its application".

The transition to IFRS requires huge efforts of all employees, from the leadership of the Ministry of Economy and Finance and its direct departments related to accounting, reporting and taxes to simple accountants. Every accountant should be interested in applying IFRS in his company, without this, all the efforts of the Ministry of Economy and Finance do not give the desired results. It is necessary to apply the «carrot and stick» method, that is, where it is necessary to encourage, and somewhere to punish with money (sum).

In conclusion, the following can be noted:

- The Republic of Uzbekistan, as one of the members of the World Economy, is constantly moving to international financial reporting standards. This is a requirement of the time, since international economic relations cannot be carried out in cold blood without IFRS;

- IFRS differ from national accounting standards in many items. It is necessary to carefully analyze each article of international standards before proceeding with the implementation of IFRS;

- the article, as an example, shows the accounting of fixed assets, which, according to international and national standards, differ in the composition included in fixed assets, in the time of depreciation and others;

- the first application of IFRS in companies is a very difficult problem related to personnel, costs, organizational and legal issues.

- we hope that the material presented in the article will help specialists in the field of accounting and reporting, as well as users of financial statements, to become better acquainted with IFRS.

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