

IMPROVING CORPORATE REPORTING WITH TRANSITION TO INTERNATIONAL FINANCIAL REPORTING AND AUDITING STANDARDS

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<https://doi.org/10.5281/zenodo.11079240>

Abstract. *In order to adapt corporate reporting to international requirements, it is necessary to develop conceptual approaches to its compilation and presentation and the use of financial and economic indicators to meet the needs of a wide range of users. In this regard, the article discusses the improvement of corporate reporting associated with the processes of market regulation of the economy, integration into the global economic society and the transition to international standards of financial reporting and auditing and its future prospects.*

Keywords: *corporate reporting, capital, audit, international standards, information, users.*

Improving corporate reporting is associated with the processes of market regulation of the economy, integration into the global economic society and the transition to international standards of financial reporting and auditing.

The latter is the most important condition for entering international capital markets, which, in turn, will increase the influx of foreign investment, increase the competitiveness of organizations, reduce capital costs, strengthen the economy and ensure growth in national incomes. In order to adapt accounting reporting to international requirements, it is necessary to develop conceptual approaches to its preparation and presentation and the use of financial and economic indicators to meet the needs of a wide range of users.

The development of the accounting reporting system should be aimed at improving the quality of indicators, expanding the analytical and forecasting capabilities of reporting, ensuring its reliability in order to effectively use information at all levels of management solving conceptual problems determines the need to improve the methodology and methods of reporting, its analysis and audit with a general systemic positions and ensuring on this basis more accurate forecasting of the prospects for economic development of organizations and the country as a whole.

At the same time, the most important scientific and methodological goal of developing accounting reporting in accordance with international standards is to ensure a close relationship between the systems of formation, analysis, audit and forecasting of economic indicators.

Implementation of conceptual directions for transforming financial statements and improving analytical and auditing procedures within the framework of a system presentation helps to improve its quality, reliability, transparency, reliability and information content to meet the needs of all interested users.

Reporting information will provide external and internal users with all the necessary data for making objective decisions on the solvency and sustainability of economic entities, on the possibilities of their future development and investment, tax and financial policies (Figure 1).

Figure 1.

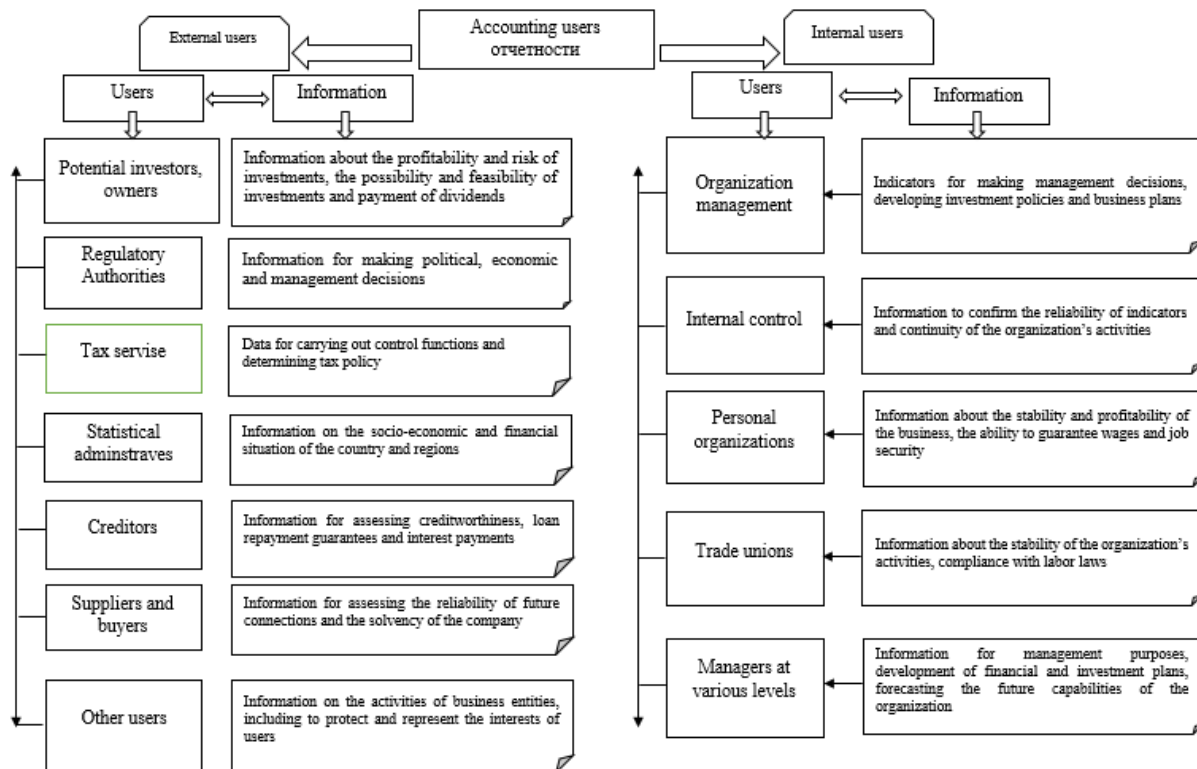


Figure 1. Users of financial statements and information flows in accordance with IFR In the context of intensifying processes of globalization, integration, and standardization, it is very important that accounting reporting allow solving the following problems:

- informational,
- analytical,
- test and forecast.

The information task is to generate high-quality information about the activities of railway enterprises, necessary for making objective economic decisions. The analytical task is associated with a comprehensive study of economic development trends based on reporting indicators. The control task allows you to confirm the reliability of information, the legality of accounting and continuity of activity using analytical methods.

The forecasting task provides information about development prospects and contributes to the development of plans and programs at all levels of the management system. The fulfillment of the identified tasks is possible by reforming the accounting statements based on their systematic presentation, taking into account international requirements and linked to the processes of market management and regulation. As a result of our research, we have developed a holistic system presentation of accounting statements that meets the current level of economic development and user needs, based on the organizational and methodological relationship of the following systems - formation, analysis, audit and forecasting of reporting indicators. Within each system, the purpose of the study and its components are defined. Different interpretations of the concept of accounting reporting in national standards require its clarification at the system level. In our opinion, corporate financial reporting should be understood as reporting containing information

about the property and financial position, performance results and changes in the financial position of the enterprise according to the rules established in international financial reporting standards, and intended for a wide range of users and economic decision-making at various levels. The types of financial statements are also defined differently, which has necessitated the need to typify classification characteristics and specify the types of corporate financial statements during the transition to IFRS. We classify corporate financial statements according to the following criteria: frequency of preparation, characteristics of the activities of business entities, satisfaction of user interests, application of national standards and IFRS, volume of disclosed information, legal status and publicity. From a system-wide perspective, the implementation of conceptual directions for the development of corporate financial reporting involves improving the structural components of the system of its formation, analysis, audit and forecasting.

The system for generating corporate financial reporting includes the following components: principles, regulations, methods of assessment, accounting and disclosure of reporting elements. Their improvement is necessary to improve the quality and achieve transparency of reporting data. Analysis of international and national practice allowed us to clarify the systemic principles for the formation of corporate financial reporting, providing uniform approaches to its preparation. It is advisable to be guided by the fundamental principles (assumptions) of reporting, the qualitative characteristics of its preparation and the requirements for its presentation, observing the grouping of information by elements and using methods of their quantitative measurement (Fig. 2).

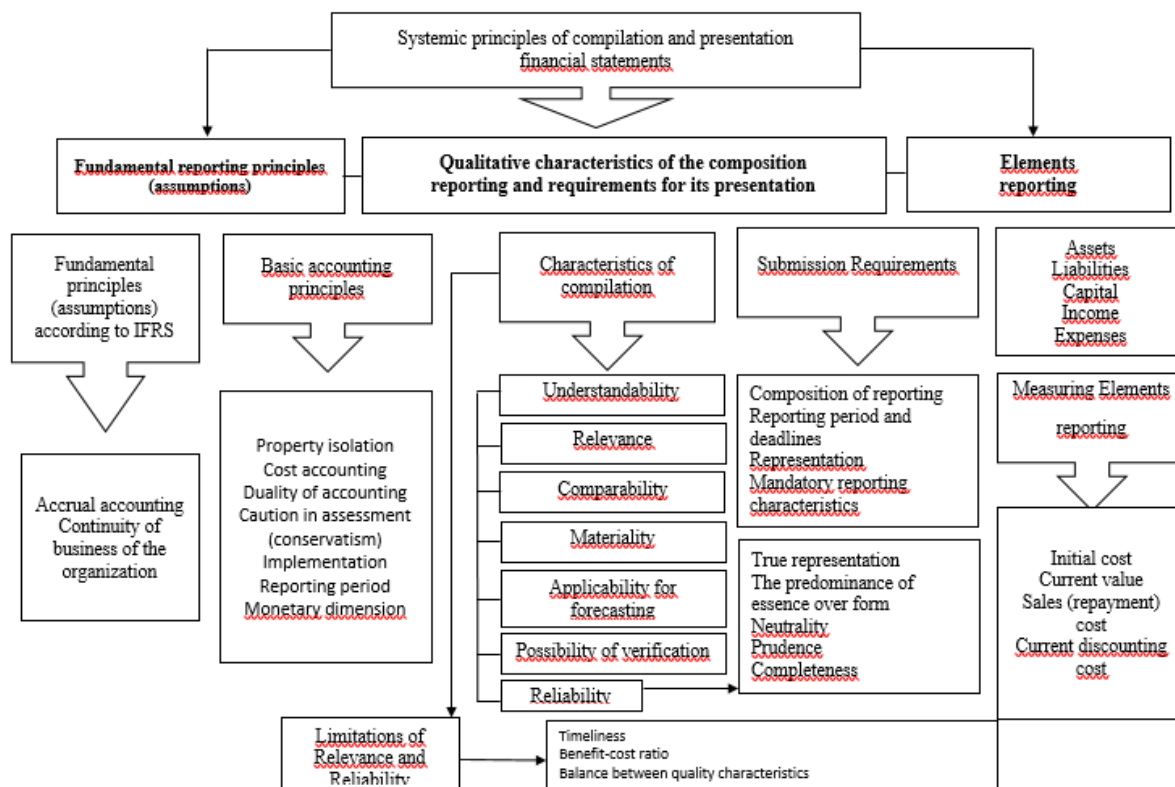


Fig 2 System principles for the preparation and presentation of financial statements during the transition to IFRS

We have identified the levels, types and methods of analysis as the main components of the economic analysis system within the framework of an integral system. Of conceptual

importance is the definition of a system of indicators for conducting a comprehensive analysis of reporting indicators at different levels of management, which will increase the accuracy of the assessment and make it possible to compare data not only over time, but also across enterprises, types of activities, and regions. Accounting data presented in corporate financial statements and reflecting the financial position of economic entities is used in the analysis system to assess trends and prospects for the development of organizations and the country's economy as a whole. The basic components of the audit system are principles, categories and sources of information, internal standards, an internal audit system and audit methodology. Quality control of corporate financial reporting must be carried out during the audit process, confirming the reliability of the indicators, compliance of accounting with legislation and the continuity of the organization's activities. Assessing business continuity in terms of formulation and implementation methods is an analytical problem, so its solution requires the use of an analytical methodology that ensures a conceptual link between the analysis and audit system. A unified understanding of corporate financial reporting is focused on the integration of the system for the formation, analysis and audit of indicators with the forecasting and management system. In this regard, a forecasting system is presented separately within the recommended holistic system concept. The levels and forecasting methodology are identified as its main components. Such a conceptual representation of the relationship between the formation of corporate financial statements, its analysis and audit, as well as forecasting the activities of organizations ensures the implementation of the management goals of users of the statements and contributes to the solution of national problems. A necessary structural element of a unified corporate financial reporting system is information support for the processes of its formation, analysis and audit. The creation of information databases contributes to the development of corporate financial reporting, effective economic management, optimization of procedures for collecting and processing data for analysis and control and represents a key object of scientific research.

In the context of the transition to international standards and for the successful implementation of the concept of reporting development, it seems to us that a systematic approach to information support for the procedure for its preparation, analysis and audit is relevant. In the process of research, a holistic model of the information support system for the formation, analysis and audit of corporate financial statements were formed. In turn, this model includes a set of developments: a model of the relationship between the system of regulatory regulation of accounting, reporting and auditing, a system classification of the information base for analysis and audit, a model of the information base by data sources, a model for implementing the information and control functions of reporting, determining the composition of reporting and information flows. Reforming corporate financial reporting involves improving the regulatory framework for accounting, reporting and auditing activities. For this purpose, as part of the implementation of a systematic approach to information support, a model of the relationship between the systems of regulatory regulation of accounting, reporting and audit has been developed, which makes it possible to increase the efficiency of regulation. The model organically links the levels and subjects of regulatory regulation, basic categories, rules for the preparation, presentation and audit of corporate financial statements, which are defined at the conceptual level in accordance with international standards. The model provides for the need to legally consolidate basic concepts and terms in regulatory documents of a certain level. In turn, regulatory documents are the main source of information along with local and accounting documents of the organization and other non-

accounting data and are included by us in the information base model for data sources for the analysis and audit of corporate financial statements, which is part of an integrated information support system (Figure 3).

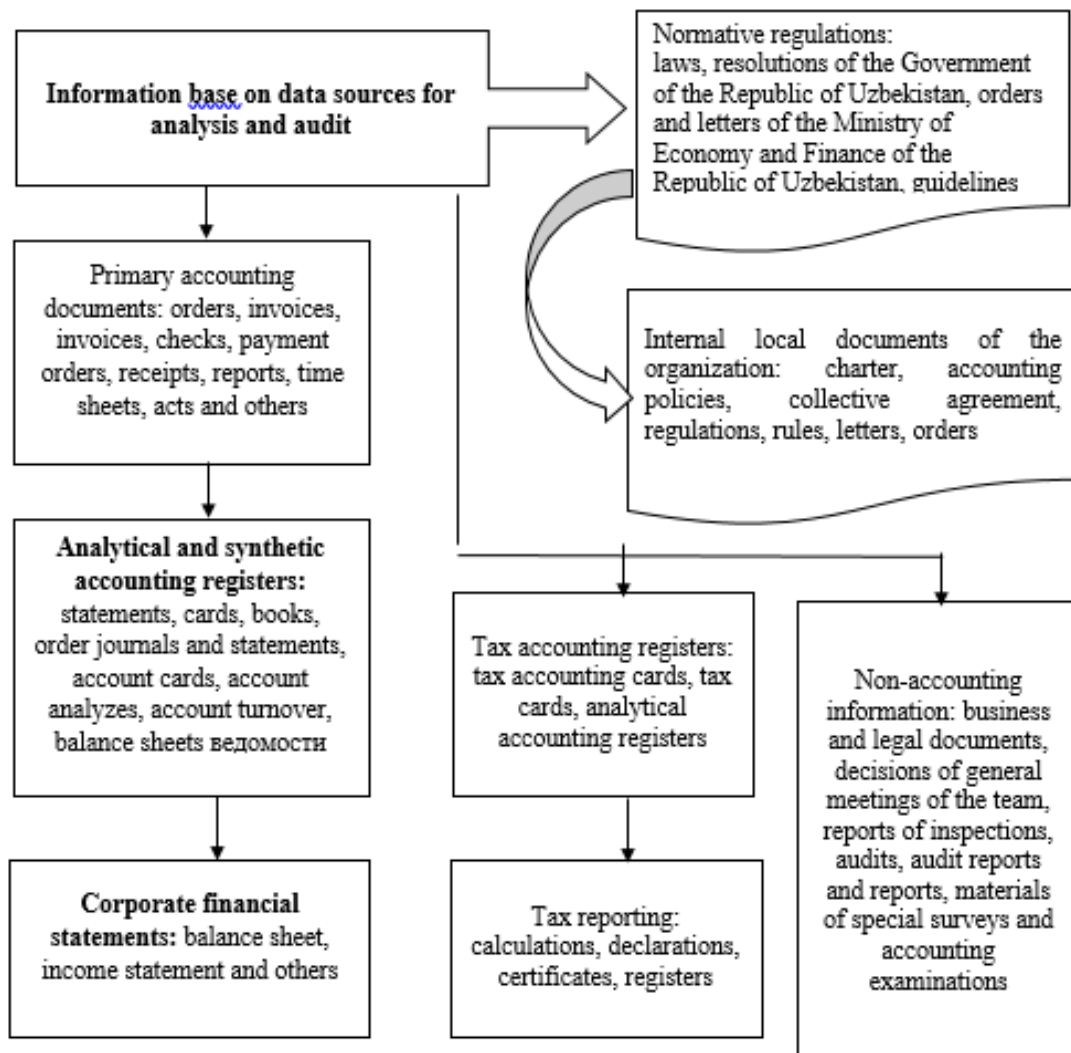


Figure 3. Model of an information based on data sources for the analysis and audit of corporate financial statements.

The model systematically and interconnectedly represents a set of documents for reporting and obtaining financial and economic information, allows to improve the quality and efficiency of analytical and audit procedures, and ensure the completeness of collection and processing of information for various users. Clarification of the conceptual directions of reporting reform meets international requirements and helps to improve the quality, reliability and reliability of information, improve its understanding on the part of users, and creates conditions for the successful integration of the Republic of Uzbekistan into the world economic community. In the process of studying corporate financial reporting, its composition and structure, the methodology for generating reporting indicators, the evaluation of report items and the principles of drawing up reporting forms in accordance with national and international standards were studied. The study clarified the classification of the statement of financial position according to the following criteria. period of compilation, compliance with IFRS requirements, volume of information, legal status, procedure for compilation during reorganization or liquidation, form of presentation of

information, procedure for grouping articles, categories of business entities. According to international requirements, the statement of financial position contains a minimum list of line items and has a flexible structure. It reflects quantitative information about assets, liabilities and capital over time. Moreover, assets and liabilities are divided into short-term and long-term. International standards provide the opportunity to take into account all existing conditions, business features and expand the composition of balance sheet items. International companies have the right to choose the method of grouping balance sheet items, so the balance sheet can have a vertical and horizontal form of construction. In order to bring national and international approaches to compiling balance sheets closer together, we have proposed a minimum list of balance sheet items for railway enterprises. At the same time, all organizational and legal forms and types of activities are taken into account. These factors influence the organization of accounting, the list of working accounts and the composition of balance sheet items. The basic set of balance sheet items serves as the basis for expanding the composition of indicators, taking into account the specifics of the business, management system and legal requirements. Based on the criterion of the materiality of indicators and satisfying the requests of interested users, it is possible to generate a report on the financial position for a wide range of users, owners and investors. This will give flexibility and variation to the balance. In accordance with the requirements of IFRS, a methodology for accounting, valuation, document flow and the formation of balance sheet items has been adapted and systematized, which makes it possible to correctly and objectively reflect assets, liabilities and capital in the balance sheet, and contributes to the development of methodological support for the preparation and presentation of reporting. To ensure transparency and increase the information content of reporting, solve management problems and meet the needs of owners, investors and business partners, we have proposed a set of indicators for generating a vertical and extended report on financial position, taking into account international practice. The vertical balance sheet form is recommended primarily for investors, owners and creditors, since their main interest is capital appreciation. It allows you to clearly show the procedure for the formation of the property of a railway enterprise at the expense of its own and borrowed sources of financing, analyze the amount of net assets of the enterprise, and comprehensively assess the financial position. The structure of the vertical balance is as close as possible to international standards. The expanded balance sheet developed by us provides detailed information for external and internal management purposes, and the implementation of control procedures. It reflects the elements of assets, liabilities and capital in all significant aspects, is based on synthetic and analytical accounting data and provides the most complete and detailed reporting information for owners and investors, state supervisory and regulatory bodies. Analysis of national and international reporting transformation practices made it possible to clarify the methodology for transforming the statement of financial position in accordance with IFRS requirements in terms of the methods, procedures and accounting models used using computer technologies (Fig. 4).

The presented transformation algorithm, based on the actual indicators of one of the joint-stock companies, reflects the sequential order of transformation of accounting accounts and balance sheet items taking into account the inflation factor. In order to study the principles of information disclosure in the income statement, we provide a comparative description of the definition and formation of income and expenses in accordance with national and international requirements. Differences between national and international standards appear at the stage of classifying income and expenses. In accordance with international principles, the classification of

income and expenses depends on their definition as reporting elements, relationship to the type of activity and presentation in the report, which affects the formation of the profit and loss statement, which can be carried out in various ways, in contrast to the report format of the Republic of Uzbekistan. We have adapted the methodology for preparing a profit and loss statement based on the disclosure of a minimum linear list of items in accordance with international standards for business entities in Uzbekistan.

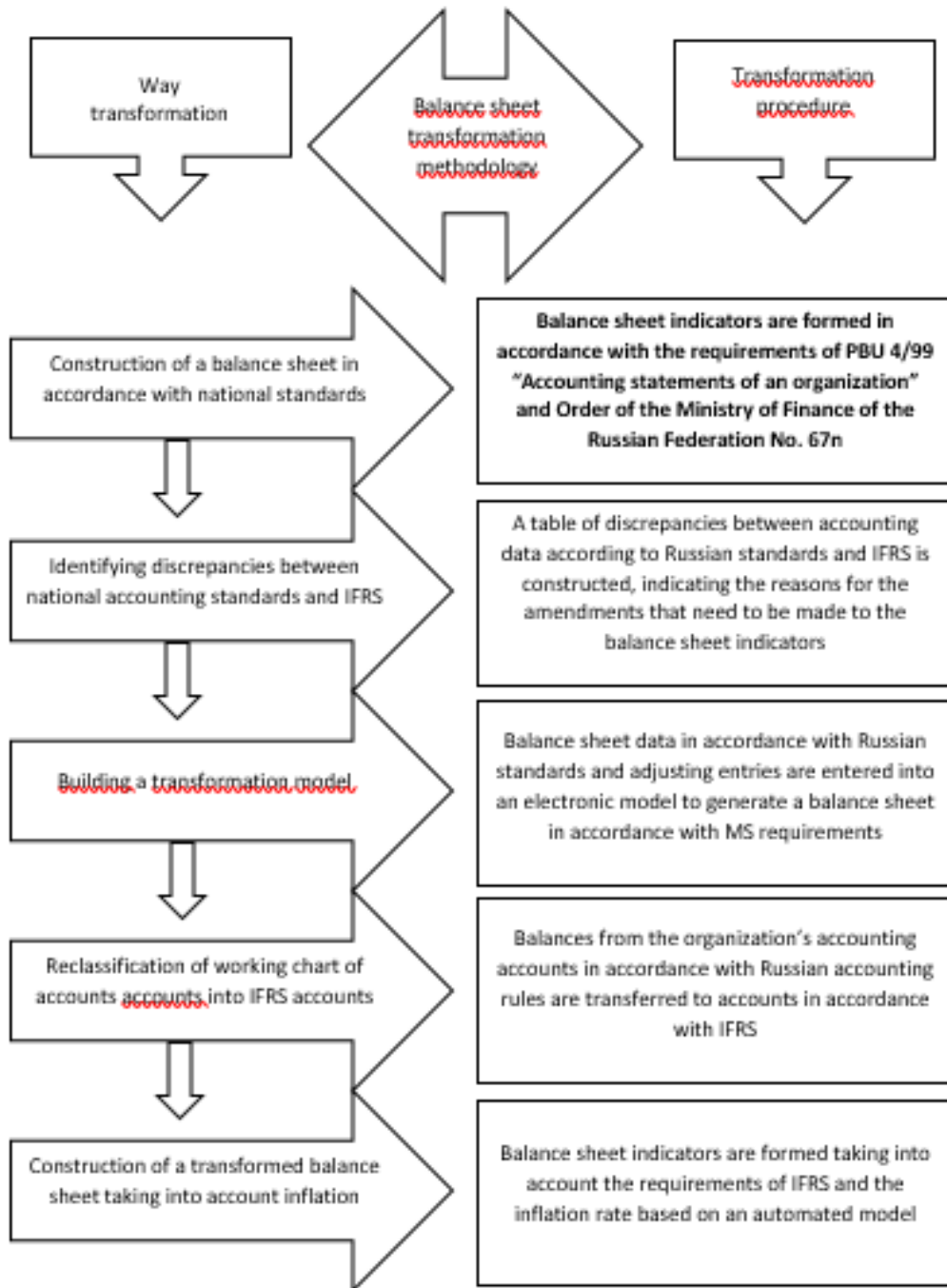


Fig 4 Methodology for transforming the domestic balance sheet in accordance with IFRS requirements

In interrelation, such system elements of the methodology are presented as regulatory support, evaluation of items, basic correspondence of accounts for systemically important accounts and an algorithm for the formation of indicators. The scientific and practical significance of the

development lies in the fact that it complements the methodology for creating a balance sheet and can be used as a single set of methodological base for the accounting and control process. The dissertation scientifically substantiates and practically proves the possibility of using the method of disclosing indicators by cost elements for business entities of various types of activities. As a result, a model was developed for the formation of profit and loss statement indicators by cost elements based on accounting data and a report format in terms of operating profit based on actual indicators one of the joint stock company. This method expands the analytical and information capabilities of reporting, allows you to fully reflect financial results, make informed management decisions, especially in terms of planning and expense management. To carry out a comprehensive analysis of financial indicators and make effective economic decisions at different levels of the management system, a list of income and expenses has been determined in order to constructing an extended format of the profit and loss statement, based on the method of deciphering income and expenses by their types. The format we propose allows you to analyze the amounts of income and expenses from operating, investment and financial activities and can be used along with the extended form of the balance sheet to develop management, investment, and financial policies. Indicators characterizing the equity capital and cash flows of the enterprise are contained in the statement of changes in equity and the statement of cash flows. According to the author, these reports should be independent forms, each of which has fundamental informational, analytical and control significance for owners and management personnel. The study of foreign experience made it possible to develop recommendations for clarifying the composition and form of presentation of the report on changes in capital, using a vertical approach to disclosing indicators, which includes accounting data on the composition of capital and its changes for the reporting and previous year. The main advantage of the form is its clarity, ease of understanding by users and the possibility of use in the analysis of the composition and structure of capital, its dynamics and in factor analysis. An analysis of user needs for a number of surveyed organizations showed that it is advisable, in addition to the report on changes in capital, to draw up a report on retained earnings, which makes it possible to assess the areas of use of profits and its dynamics over a number of years, and the movement of reserves by type. The report is aimed at owners; it expands the system of indicators used to analyze and forecast development prospects. In order to use international approaches to the preparation of a cash flow statement based on the direct and indirect method and for the completeness of the presentation of information, the composition and structure of this report have been clarified, which has allowed: - expand the analytical capabilities of the report when using the direct method through a comprehensive reflection of indicators by areas of receipt and expenditure of funds, including composition, structure and dynamics - reflect the analytical and forecasted impact of changes in assets, capital and liabilities on cash flows using the indirect method by taking into account the influence of all factors related to the organization's activities, including dynamics and the amount of funds received and spent. To manage and plan cash flows, we have developed a cash flow report based on planned cash flow values, which presents accounting and analytical information in three aspects. - by the composition of accounts receivable and payable at the beginning and end of the period, including those payable in the reporting period, - by the planned and actual volume of cash receipts in the reporting period and the execution of planned indicators in percentage terms; - by sources of receipt and expenditure of funds from current, investment and financial activities Analyzing the content of the appendices to the balance sheet (form No. 5) and the explanatory note, we came to the conclusion that it is rational to combine these reporting forms

into one document - "Explanations to accounting statements" The proposed form retains all requirements for information disclosure in accordance with Russian legislation and IFRS, it does not duplicate indicators and logically presents digital, analytical and descriptive information in the relevant sections of the report, which allows for complete and objectively reflect all parameters of activity, monitor its results, predict future investment and financial benefits. Methodological requirements for the structure and content of the "Explanations to the financial statements," in our opinion, are based on the following principles: legality, orderliness and structure, reliability, identity and completeness of information, informative and analytical. Subject to these principles, we have determined the structure and sections of the "Explanations to the financial statements" (Table 1).

Table 1

Section name	Section name
1 Basic information about the organization	4.5. Expenditures on natural resource development
1. 1. Information about the organization	4. 6. Financial investments
1. 2. Information about the founders and authorized capital	4.7. Accounts receivable and payable
1. 3. Composition (names and positions) of members of the executive body, information on remunerations paid	4. 8. Information about loans and credits
1. 4. Composition (names and positions) of members of the control body	4. 9. Provisions
2. Accounting policies	4. 10. State aid
2.1. Accounting methods	5. Analysis and forecast of property and financial condition
2.2. Changes in accounting policies, their causes and assessment of consequences	5.1. Analysis of property and financial situation
3. Main activities	5.2. Analysis of business activity and investment attractiveness
3.1. Current activity	5.4. Analysis and forecast of financial condition for the short term
3.2. Investment activities	5.5. Analysis and forecast of financial condition for the long term
3.3. Financial activities	6. Events after the reporting date
4. Key performance indicators	7. Conditional facts of economic activity
4.1. Intangible assets	8. Affiliates
4.2. Fixed assets	9. Segment information
4.3. Profitable investments in material assets	10. Discontinued operations
4.4. R&D expenses	11. Joint activities

The implementation of the proposed methodological approaches to compiling and monitoring financial reporting indicators is based on the use of computer technologies based on

simulation modeling methods. We have proposed the following models* “Formation and control of balance sheet indicators”, “Transformation model of an organization’s balance sheet according to IFRS”, “Formation of a balance sheet when transforming a report in accordance with IFRS requirements”, “Formation and control of profit and loss statement indicators (taking into account various tax regimes)”, “Interrelation of indicators of financial statements of organizations”

Recommended structure of the Notes to the Financial Statements The methodological recommendations for the formation of indicators developed in the dissertation contribute to the improvement of accounting reporting and more complete disclosure of information for all users.

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