The Practice Of Preparing Financial Statements On The Basis Of IFRS

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ABSTRACT

IFRS regulates the preparation of financial statements, and the standards reflect only the rules for the preparation of financial statements in accordance with IFRS. The transfer of banks' financial statements from National Accounting Standards (NAS) to International Financial Reporting Standards (IFRS) is a multi-stage and time-consuming procedure. Thus, the standards define and define the issues of recognition, measurement and publication of various reporting items in all business entities, including banks. Therefore, it is necessary to study the methods of preparation of financial statements in accordance with IFRS and in practice to choose the most appropriate of these methods for the bank.

KEYWORDS

Banking, financial reporting, national accounting standards, international financial reporting standards, transformation, parallel accounting, loan repayment, correction records.

INTRODUCTION

Financial statements are the main source of information for bank management. The Bank's governing bodies, including the Bank's Management Board, will of course use financial statements to implement an effective governance system.

Currently, in the management system of commercial banks operating in the country,

foreign specialists act as representatives of investors. These professionals are not provided with financial statements based on national standards. Since 2009, the banks of the republic have been gradually preparing financial statements in accordance with international standards, and these statements are being audited by reputable auditing companies.

THE MAIN FINDINGS AND RESULTS

The transformation process taking place in Uzbekistan in recent years has had an even greater impact on the activities of banks. As a result, there is a growing need for wider application of international requirements in the preparation of financial statements, which are the main means of providing economic information in banks [5]. The preparation of financial statements in accordance with IFRS increases the ability of banks to attract foreign capital. In addition, reports on such a request allow:

- Interaction with foreign partners;
- Access to international financial markets;
- increase the competitiveness of the bank;
- Achieving a common understanding of the economic meaning of the processes reflected in the report (for both users and developers);
- Forming the necessary framework for management decisions;
- Get rid of problems with misreporting, increase its transparency and information content [4].

There are also disadvantages to reporting in accordance with international standards, including:

- The need to attract additional resources to modify the report, taking into account internal requirements;

- The complexity of assessing the effectiveness of the transition to IFRS (initial stage);
- a decrease in the balance sheet profit in the reports that can be converted in accordance with international standards [4].

In any case, the expected effect of preparing IFRS financial statements in banks should not exceed the cost of this procedure. The bank's management should pay special attention to this.

Based on international experience, it is possible to prepare reports that meet international standards using one of the following models:

- External transformation model (ETM);
- Internal Data Configuration Model (IDCM);
- Parallel Accounting Model (PAM).

Transfer of financial statements from NAS to IFRS is the implementation of a number of adjustments that allow for the conversion of reports prepared in accordance with national standards to IFRS format at the reporting date [8]. Each of the presented models has its advantages and disadvantages. We will discuss them below.

External Transformation Model (ETM)

To use the ETB, the bank must first prepare reports in accordance with internal standards. It then makes the necessary corrections using special tables (usually in Excel format). To do this, first of all, the balances in the reports prepared on the basis of NAS are re-entered into the table and reclassified.

There is no single set of corrections in transformation. Banks are consolidated according to the types of transactions in the report and their assessment in accordance with NAS and IFRS, differences in accounting rules.

The final stage of the ETM is the formation of working accounts related to the amendments, on the basis of which a report on IFRS is prepared. This process completes the transfer of financial statements from NAS to IFRS.

Internal Data Configuration Model (IDCM)

IDCM is also based on transformational procedures such as TTM. In this case, the corrections are made in the accounting system - using a special built-in module that includes algorithms for reflecting corrections.

Significant shortcomings of IDCM are the need to adjust the software used for the transformation in accordance with the accounting standards of Uzbekistan when changing the accounting rules (this requires additional costs for the bank). Moreover, such an effective program has not been created for banks.

Parallel Accounting Model (PAM)

The PAM differs significantly from the ETM and IDCM methods in that this method does not depend on the level of preparation of reports in accordance with internal standards. In this case, the company prepares information about the financial position and financial results of its activities based on various requirements. These processes under IFRS and NAS continue in parallel.

PAM is a costly model for a bank because it requires large expenditures to develop methodology, software, and so on. Additionally, system settings are required (for example, when opening a new business).

Regardless of which model the bank chooses to prepare its reports in accordance with international standards, special approaches and additional data are required for the first implementation of IFRS. This is a separate line and a big problem.

To prepare for the transition to IFRS, the bank is required to implement special training algorithms provided for in IFRS 1 "First Application of International Financial Reporting Standards".

According to paragraph 6 of IFRS 1, the bank must determine the starting point for the application of IFRS.

For the first time, the Bank has decided to prepare IFRS reports as of December 31, 2020. For him, the date of transition to IFRS is set as 01.01.2018. The Bank must disclose in its report the IFRS reports as of 01.01.2018.

The standard specifies the following actions to reflect the information in the first report of the bank:

Recognition of all assets and liabilities required by IFRS;

- Recognition of all assets and liabilities as required by IFRS;
- Exclusion of all assets and liabilities prohibited by IFRS;
- Regrouping (reclassification) of all reporting items in accordance with IFRS [3].

In addition, the bank is required to comply with certain requirements in accordance with the Accounting Policy:

- Use selected evaluation methods to recognize all reporting items on the transition day;
- Apply the selected accounting policy to all periods.

Since it is not possible to switch from NAS to IFRS without additional information, the bank is required to exercise some caution in collecting and preparing this information. This requires the following sources of information:

- Balance sheet;
- Analytical information on the movement of fixed assets and intangible assets by groups, the distribution of liabilities arising from the purchase and sale of fixed assets

and intangible assets, depreciation methods, etc;

• Redistribution of information on the types of investments arising in connection with the obligation, etc;

• Receipt of balances on accounts for accounting of receivables, detailed description of doubtful and doubtful debts, redistribution of reserves, analysis by types of receivables;

• Other necessary additional information.

In addition to the above accounting information, the following information may be required from the bank:

• loan repayment schedules;
• Payment calendars for leased property;
• Other information that may affect the measurement and reclassification of items.

Carefully collected initial data allow us to subsequently prepare reliable reports in accordance with IFRS [6].

There is a special type of record in the correction, which is formed and taken into account by analyzing the data.

CONCLUSION

In general, the preparation of a bank's financial statements in accordance with IFRS is a complex process. Therefore, the management of each bank must carefully follow this process and provide users with information of sufficient quality in a timely manner.

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