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Necessity And Main Directions Of Improving Financial Reporting In Uzbekistan

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ABSTRACT

The article highlights the need to improve financial reporting, the regulations adopted in Uzbekistan in this regard. The purpose of the concept required for the transition to International Financial Reporting Standards (IFRS) in Uzbekistan and the tasks to be included in it have been developed, a series of national accounting standards are presented. It was noted that today the standards for financial instruments need to be improved. For the transition to IFRS, the terms related to the information reflected in the financial statements are given. The work to be done in Uzbekistan to introduce the terms and accounting rules for the information reflected in the financial statements.

KEYWORDS

Financial reporting, financial reporting indicators, information reflected in the financial statements, financial instruments, national accounting standards, international financial reporting standards.

INTRODUCTION

International coordination of accounts and reports is important in ensuring sustainable growth of national economies. Today, in order

to create a favorable investment climate in the country, to create a national model of the economy that meets international standards, a

special place is given to the current state of international standards, description, adaptation of national accounting standards to international standards. As a result of scientific research conducted by scientists of the country, certain achievements have been made in improving financial reporting, their indicators, elements, conceptual basis of financial reporting and information reflected in the forms of financial reporting.¹

THE MAIN RESULTS AND FINDINGS

However, the best practices of financial reporting at the global level and the principles of international standards in this area have not been fully implemented in developing countries. Law of the Republic of Uzbekistan "On Accounting" No. LRU-404 of April 13, 2016 in the new edition; PD-4947 of the President of the Republic of Uzbekistan dated February 7, 2017 "On the Action Strategy for further development of the Republic of Uzbekistan"; PD-5544 of September 21, 2018 "On the Strategy of Innovative Development of the Republic of Uzbekistan for 2019-2021"; Decree No. PD-4720 of April 24, 2015 "On measures to introduce modern corporate governance methods in joint stock companies"; Resolution No. PD-3946 of September 19, 2018 "On measures to develop auditing in the Republic of Uzbekistan"; Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated July 28, 2015 No 207 "On the introduction of criteria for assessing the effectiveness of joint stock companies and other business entities", as well as the Cabinet of Ministers of March 3, 2018 No 158 "Accounts receivable and accounts payable Today, it serves as a regulatory framework for improving financial reporting

on the basis of International Financial Reporting Standards (IFRS).

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 sets the priority task of "introduction of modern standards and methods of corporate governance, strengthening the role of shareholders in the strategic management of enterprises."

The Strategy of Innovative Development of the Republic of Uzbekistan for 2019-2021 sets the task of improving governance, introduction of advanced methods and techniques.

It is not possible to switch to IFRS all at once. We are in favor of a gradual transition to IFRSs to ensure a quality transition to them. To do this, it is necessary to develop a "Concept for Improving Financial Reporting" in our country. The following issues should be included in this concept:

The purpose of the concept of improving financial reporting is to fully harmonize the accounting and financial reporting system in the country with IFRSs, to ensure the presentation of financial statements of enterprises in Uzbekistan on international exchanges, to adapt the content and structure of reports to the needs of information users. To achieve this goal, the following tasks must be solved:

- Establishment of an independent professional organization of accountants engaged in the development of general principles of accounting and draft national standards, generalization and introduction of best practices in the field of accounting, certification and advanced training of accountants;

Valuation of financial assets of enterprises and their reflection in the financial statements. Scientific and methodological recommendations. - Samarkand. SamISI. 2020. - p.36.

¹Urazov K.B. Conceptual issues of accounting in the context of economic liberalization. Monograph. - T.: Fan, 2005. -236 b.Tashnazarov S.N. International Financial Reporting Standards. Textbook. -T.: ECONOMY-FINANCE, 2019. -454 b.Boronov B.F.

- Professional translation of IFRS into Uzbek on the basis of accepted terms;
- In order to improve the quality of information reflected in the financial statements, to adjust its structure and content to the interests of information users, to use the most advanced methods and techniques in information processing and transmission, to introduce international instruments and standards and improved reporting forms;
- Development of a system of National Accounting Standards (NAS) that fully meets the requirements of IFRS, radical revision of existing ones;
- Retraining, advanced training of interns, training in IFRS, organization of training of accountants abroad;
- Procurement, development and implementation of special IFRS applications.

The implementation of these goals and objectives will ensure the worthy participation of the Republic of Uzbekistan in the process of achieving full international harmonization and uniformity of financial reporting in the world by 2030.

The introduction of the Law "On Accounting" (in the new edition in 2016) and the Regulation "On the structure of expenditures" created the conditions in our country to begin to develop our national standards on the basis of international standards. The new version of the law allows enterprises to prepare financial statements in accordance with International Financial Reporting Standards.

To date, the Republic has developed a Conceptual Framework for the preparation and submission of financial statements and 23 National Accounting Standards (BSMS). We list them in Table 1.

Table 1

National Accounting Standards of the Republic of Uzbekistan²

National Accounting Standards (NAS)	date
Conceptual basis for the preparation and presentation of financial statements	14.08.1998
№1 IFRS Accounting Policy and Financial Reporting	14.08.1998
№2 IFRS Basic business income	26.08.1998
№3 IFRS Financial Performance Report	27.08.1998
№4 IFRS Inventories	17.07.2006
№5 IFRS Basic tools	20.01.2004
№6 IFRS Lease Account	22.06.2004
№7 IFRS Intangible Assets	27.06.2005
№8 IFRS Consolidated Financial Statements and Accounting for Investments in Subsidiaries	28.12.1998

²National Accounting Standards of the Republic of Uzbekistan. Lex.uz: BHMS. <http://lex.uz/nsbu>

Nº9 IFRS Cash Flow Statement	04.11.1998
Nº10 IFRS State Subsidies Account and State Assistance Description	03.12.1998
Nº11 IFRS Costs of research and development	28.12.1998
Nº12 IFRS Financial Investment Account	16.01.1999
Nº14 IFRS Private Equity Report	17.04..2004
Nº15 IFRS Balance Sheet	20.03.2003
Nº16 IFRS Unforeseen circumstances and events in the business after the balance sheet date	23.12.1998
Nº17 IFRS Capital Construction Contracts	23.12.1999
Nº19 IFRS Organization and Conducting Inventory	2.11.1999
Nº20 IFRS On the Simplified Procedure for Accounting and Reporting by Small Business Entities	23.11.1999
Nº21 IFRS Chart of Accounts for Financial and Economic Activities of Business Entities and Guidelines for its Application	23.10.2002
Nº22 IFRS Accounting for assets and liabilities denominated in foreign currencies	21.05.2004
Nº23 Preparation of financial statements in the implementation of IFRS Restructuring	27.06.2005
Nº24 IFRS Borrowing Expenditure Account	18.08.2009

The name and content of the main part of the National Accounting Standards in force in the Republic of Uzbekistan correspond to the content of international standards. However, Uzbekistan is still in the process of developing standards that meet international standards,

including standards for financial instruments. The results of the comparison of standards for financial instruments with international standards can be given in the following table (Table 2).

Table 2

Comparison table of standards for financial instruments developed in IFRSs and IFRSs of the Republic of Uzbekistan

International Financial Reporting Standards (IFRS)	National Accounting Standards of the Republic of Uzbekistan
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Issue 32 - IAS “Financial Instruments: Presentation of Information”	A corresponding standard has not been developed
Issue 39 –IAS Financial Instruments: Recognition and Valuation	A corresponding standard has not been developed
Issue 7 - IFRS “Financial Instruments: Disclosure”	A corresponding standard has not been developed
Issue 9 - IFRS “Financial Instruments”	Issue 12 IFRS “Financial Investment Account”
Issue 10 - IFRS “Consolidated Financial Statements”	Issue 8 IFRS Consolidated Financial Statements and Accounting for Investments in Subsidiaries

As can be seen from the table, no national standards have been established to comply with financial instruments. For the Republic of Uzbekistan, which is gradually transitioning to IFRSs, the task is to develop standards for financial instruments.

In our practice, concepts such as contribution instruments, non-derivative instruments, derivative instruments, rights, options, and warrants are not used, and these terms are difficult to understand. Therefore, it is expedient to give a general definition of the following terms that are new to the economy of Uzbekistan (Table 3).

Table 3

A general description of the information reflected in the financial statements³

Description of information to be reflected in the financial statements	
Bank deposits	It is the placement by banks of their own funds, which are temporarily vacant by individuals, on the basis of a pre-agreed repayment, storage and interest payment agreement for definite and indefinite terms.
certificate of deposit	A security confirming the amount of the deposit in the bank and the right to pay the amount of the deposit and the interest specified in the certificate to the certificate holder after the expiration of the term.
Fixed deposits	It is a financial instrument provided by banks, according to which investors are offered higher interest rates than ordinary savings accounts.

³Derived from definitions of terms in IFRS.

option	A contract in the form of a security under which the buyer acquires the right to buy or sell or give up at fixed prices for a certain period of time, and the seller undertakes to enforce this right on the basis of a monetary reward at the request of the counterparty.
Swaps	An agreement between the two parties provides for the subsequent replacement of the underlying assets and payments on this asset on the terms specified in the contract. The main types of swaps include currency, interest, credit and commodity swaps
Warrants	According to the agreement, the owner will be able to buy the security directly from the issuer, ie the issuer of shares or bonds within the agreed period or within the specified period..
bonds	An issue is a mandatory security in which the holder has the right to receive its nominal value in cash or other property equivalent from the issuer within a specified period. Such bonds give its holder the right to receive interest or other property rights in respect of their face value.
mutual funds	In order to ensure the safe and efficient use of investors' funds, the funds are deposited in a professionally managed investment fund, which can be used to purchase shares, bonds, cash or a combination of these assets..
share-based payments	It is a share-based payment, in which it receives goods or services as a cover for equity instruments or by assuming obligations based on the share price or the amount of other equity instruments..
insurance contracts	A contract under which one party (insurer) assumes a significant risk from the other and agrees to pay compensation to the insured in the event that the specified uncertain future insured event adversely affects the insured.
Employee benefit plans	Compensation provided to an employee in addition to work includes, for example, home payments, disability payments, kindergarten and other compensation payments.

We consider it expedient to carry out the following work in the Republic of Uzbekistan to introduce the concepts of information reflected in the financial statements and the transition to international standards.

First, accounting entities must have a management system in line with world standards. It is necessary to reform the management system of enterprises, introduce

corporate governance principles, introduce management standards.

Second, the financial and banking system needs to be developed in line with international standards. Stock exchanges, commodity exchanges and other real estate exchanges need to be developed. We need to get Uzbek companies listed on international exchanges.

Third, we need to train certified, professional practitioners.

Fourth, we need to adopt the terms used in the field of accounting, translate them into Uzbek at a professional level and use them in national standards.

CONCLUSION

In conclusion, the Republic of Uzbekistan, which is making a worthy contribution to the process of international integration, is carrying out major reforms to increase the investment attractiveness of enterprises, the transition to international financial reporting standards, the development of concepts and roadmaps. The above suggestions and recommendations will help us to develop the terms of information reflected in the financial statements in Uzbekistan, to improve the methodology of their recognition and evaluation in the form of financial instruments and other international standards in the form of recognition, evaluation and financial reporting.

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