

Research Article

HARMONIZATION AND IMPROVEMENT OF THE CALCULATION OF WAGES IN UZBEKISTAN TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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ABSTRACT

The article considers issues of improvement of accounting of wages and benefits of employees, criteria of their accounting, on the basis of comparison with the standards of the main documents of international practice of organization of business accounting in the field of communications in accordance with international standards. The main stages of the process of initial approval of financial reporting on labor and wages in accordance with international standards have been proposed.

KEYWORDS

Payroll accounting, international standards, accounting, international financial reporting standards (IFRS), short-term payments, long-term payments.

INTRODUCTION

In the conditions of globalization of economic processes and unification of accounting in the countries of the world, it is natural that the Republic of Uzbekistan faces the issue of changing the process of accounting and financial reporting in accordance with the International Financial Reporting Standard. These changes concern all aspects of financial and economic activities of enterprises, with a special place given to wages and salaries[1]. Standards based on IFRS

principles were created to harmonize many accounting standards in different countries, to increase the usefulness of financial reporting and thereby improve the quality and transparency of information in the global marketplace.

According to the decision of the President of the Republic of Uzbekistan from February 24, 2020 "On additional measures on transition to international financial reporting standards" № providing and

expanding access to international financial markets legal entities included in the category of Large Taxpayers, starting from 2021, are required to organize financial reporting under international standards (IFRS) and prepare their financial statements under international standards, starting from the end of 2021[2].

A number of scientists and economic practitioners of our country conduct scientific research on the organization of financial reporting based on international standards (IFRS). Many scientists and researchers also conduct research on scientific study of problems in the topical areas of the issue. In particular, theoretical, methodological and practical aspects of financial reporting were analyzed in scientific works by R. Dustmuratov, A. Pardaev [3, 4]. I. Ochilov studied the preparation and presentation of financial statements in insurance organizations[5]. M. Marpatov explained the issues of harmonization of the statement of financial position with international standards [6]. C. Toshnazarov in his research works emphasizes that the composition and content of the financial report should be coordinated with the interests of information users, the most modern methods and techniques of processing and transmission of information, as well as the introduction of improved forms of reporting [7].

Since the main requirement for entering the global market and attracting foreign investors is to harmonize IFRS financial statements, a country can choose five different approaches along the way, namely: 1) Full adoption of IFRS; 2) Selective or periodic use of IFRS; 3) Adoption of IFRS with country-specific modifications; 4) Maintaining national accounting standards but in accordance with IFRS; and 5) Maintaining national accounting standards[8]. Of these five approaches, convergence with the IFRS in

our country is based on a combination of the second and third approaches. That is, the Republic of Uzbekistan is gradually implementing IFRS in local accounting standards, and minor changes are expected to be made to adapt the adopted standards to the rules and business environment of our country. According to a study conducted by the Institute of Accountants of England and Wales entitled "The EU IFRS and Fair Value Directive" (2007), improved comparability depends not only on harmonized accounting standards but also on consistent application and interpretation of standards [9].

For consistent application of the IFRS standards, proper translation of the terms of these standards into the local language is of particular importance. The results of empirical analysis showed that among developing countries, countries with economic growth rate, high level of education and legal system based on uniform legal norms have a high rate of transition to IFRS [10]. Standard IAS-19 Employee Benefits (Benefits) is defined in IFRS for settlements with employees. This standard is a single document that reflects all important aspects related to the procedure for calculating employee benefits, the criteria for their recognition in accounting, the procedure for their recognition in the financial statements, as well as the mechanism for recognition of financial expenses in the financial statements. The contents of this standard are as follows:

- 1) payments to employees (i.e., a list of payments that constitute the labor remuneration fund and payments that are not included in wages and salaries);
- 2) payments to employees after dismissal (so-called severance payments);
- 3) the procedure for recognizing payments to employees in accounting and reporting;



4) the mechanism of making payments to the enterprise on pension contributions;

5) recommendations on the reflection of information on payments to employees in financial (accounting) statements [11].

IFRS 19 requires entities to recognize a liability arising from employee services for both future payments and the cost of using the economic benefits derived from the employee's services as consideration.

Since its inception, IFRS standards have been under constant review and have been subject to significant changes. For example, IAS-19 related to payroll calculation, which we review, was also reviewed and amended by the IFRS committee in 2008, and unlike the approach of some businesses and companies to circumvent the requirements of the standard, under IAS-19 the new method of full recognition through the income statement has been given the objective of option financial reporting [12].

Within IAS-19, the classification by type of employee benefits was taken as a basis:

- short-term employee benefits;

- remuneration payable upon termination of employment;

- other long-term employee benefits;

- severance pay.

Under IAS-19, paid leave at work is divided into two categories: accrued and non-accrued.

The value of accrued paid leave must be recognized by the entity over the period of service to which the employee is entitled and is the basis for accruing future paid leave. The enterprise has an obligation when employees accrue more paid leave in the course of employment, i.e., service. An entity shall measure the expected value of total paid leave as the sum of accrued, unused and unpaid additional paid leave payable to the employee at the end of the reporting period (paragraph 14 of IFRS-19).

In our view, it is appropriate to make a recommendation on the creation of a reserve in accounting for unused vacation leave in order to comply with international standards. In this regard, an enterprise should at least establish mechanisms for its assessment and calculation.

Table -1

Proposals for disclosures in the statement of short-term employee benefits in accordance with IFRS

IFRS	IFRS Reporting Disclosure Requirement	Proposals on disclosure of information in the Report
Short-term payments		
IAS-19	IFRS requires disclosure of the cost of providing short-term employee benefits	The statement should include a section detailing the costs associated with short-term employee benefits.



	Current salary, incentive payments and bonuses, vacation payments	Table "Short-term payments on current salary, incentive payments and bonuses"
	Sick leave payments, social insurance payments	Table "Social Security Benefits"
	Health insurance for employees	Table "Health insurance for employees"
	Other non-monetary remuneration (payments)	Table "Other non-monetary remuneration (payments)"

IFRS-19 establishes the need to develop accounting rules and analytical registers that reflect all forms of wages, salaries and other benefits provided to employees by an entity in return for employee services, while disclosing information about the costs associated with short-term employee benefits.

In our opinion, it would be useful to take into account the experience of the neighboring Republic of Kazakhstan in harmonizing national accounting standards with the requirements of the National Accounting Standards Board. As a result of scientific research, the transition to IFRS requirements may lead to the following achievements:

- attract more direct investment through greater transparency of financial reporting;
- Transition to IFRS requirements (i.e. instead of NAS) significantly simplifies financial reporting requirements for international corporations investing in the country;

- helps to quote shares of domestic companies on foreign stock exchanges.

In the transition to IFRS, these differences manifested themselves in language and terminology difficulties, limitations in the application of accounting principles, and the need for government accounting procedures and codes. Change in accounting can be slow, which is not surprising given the generally accepted constancy of the culture[13].

Due to the circumstances described above, international standards, including IAS-19 "Employee Benefits" and others, for widespread use today in the enterprises of our country, based on the research of domestic and foreign economists, have the form of a 4-factor model of transition to the IFRS:

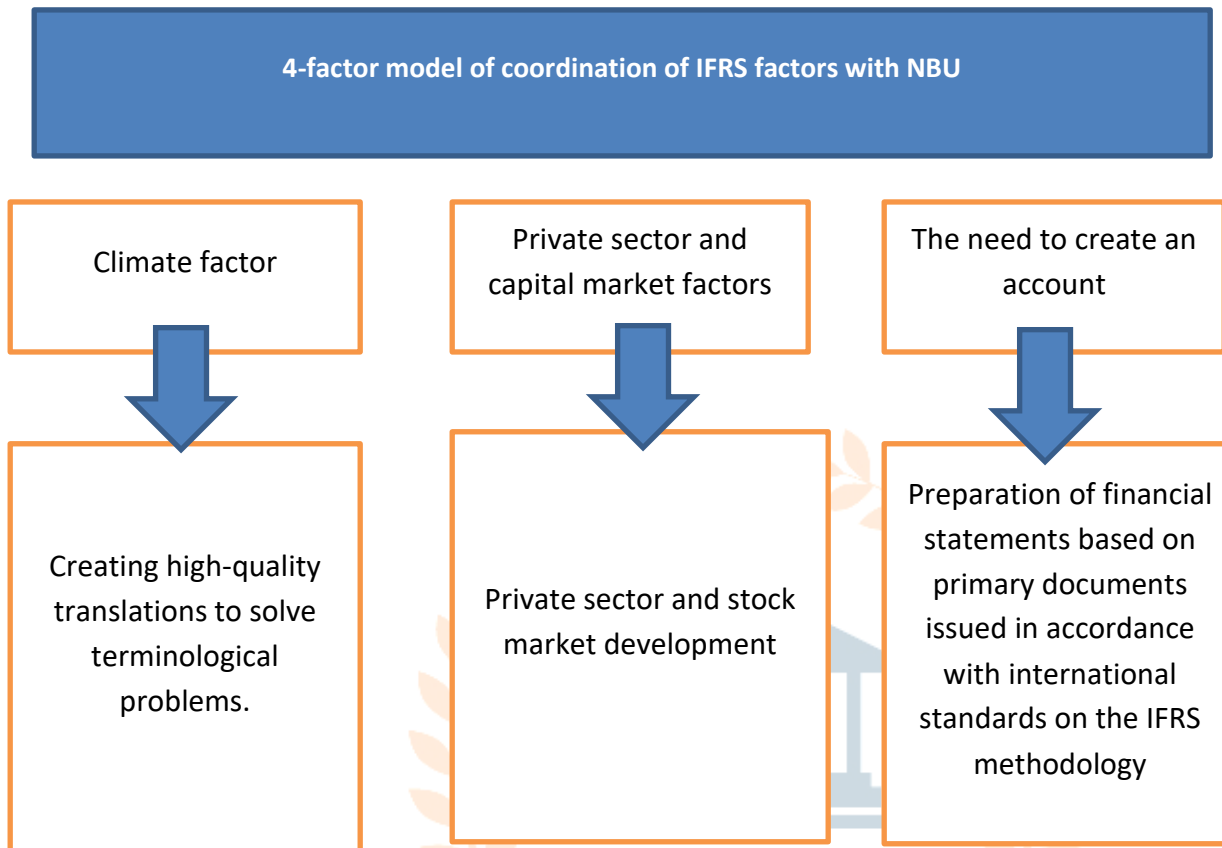


Figure 2.2. 4-factor model of coordination of IFRS factors with the National Accounting Standards

In this model, a number of recommendations were made based on the environmental factor, the factor of the private sector and the capital market, as well as the factors of the need to create accounting accounts that arise when coordinating the National Accounting Standards and IFRS:

- Create high-quality translations to solve terminological problems;
- Development of the private sector and the stock market;
- Preparation of financial statements based on primary documents issued in accordance with international standards on the IFRS methodology.

In our opinion, the formation of tables and detailed disclosure of information in the appendices of reports on financial results for employee benefits will increase the reliability and analytical level of accounting calculations, and it will be possible to present them in accordance with the requirements of IFRS standards. Detailed and transparent information helps internal users understand the purpose of each payment and subsequently increase its use in order to improve the quality and productivity of their work. And external users have an understanding of accounting transparency.

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