

## ISSUES OF IMPROVING THE INTERNATIONAL STANDARDS OF FINANCIAL REPORTING IN COMMERCIAL BANKS

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### ANNOTATION

This article describes the problems and their solutions in the process of organizing the accounting of commercial banks in the Republic of Uzbekistan, the accounting system, the organization of accounting policies based on international standards of financial reporting, the main income and expenses from banking operations, and the transformation of financial reporting.

**Keywords:** accounting, accounting policies, income, expenses, financial reporting, international standards of financial reporting, bank assets and liabilities, net profit, financial instruments, financial control.

In the Republic of Uzbekistan, effective, rational and legal use of resources of commercial banks, control over their use, truthful reflection of financial reports of bank operations creates the basis for effective organization of the banking system.

Therefore, increasing the prestige of commercial banks, their cooperation with world-class banks, and their rise to the level where they can compete in the future is one of the urgent issues of today. One of the important issues facing our banks, which are moving towards such high goals, is the preparation of financial statements in common language, i.e. financial statements in accordance with international standards, especially in attracting attractive investors.

Implementation of international standards of financial reporting (IFRS) allows to improve the internal management system of commercial banks by applying uniform methods of accounting, to inform interested parties about the financial condition of the bank and to increase its competitiveness.

Adoption of the IFRS and submission of reports in accordance with it creates a uniform financial information exchange environment in the global market, and this process, in turn, serves to increase information transparency, accountability and economic efficiency of commercial banks. In addition, the application of MHXS leads not only to the liquidity of commercial banks, but also to the improvement of market liquidity, the development of capital markets, the expansion of the scope of trading in the securities markets, the entry of foreign investments into the national market, and the improvement of investor protection. It should be noted that in order to achieve these positive results, it will be necessary to implement measures for the effective implementation of MHSS in commercial banks and the national market. Studying the experience of commercial banks of European countries in implementing IFRS and fair assessment of problems and prospects in this process is a great opportunity during the transition of commercial banks in Uzbekistan to the process of accounting and financial

reporting in accordance with IFRS. The adoption of the decision of the President of the Republic of Uzbekistan on November 26, 2010 "On further reforming and increasing the stability of the financial and banking system of the republic in 2011-2015 and on the priority directions of achieving high international rating indicators" was a great impetus for the beginning of the reforms on the transition to the MHSS. With this decision, priority directions were set for banks to prepare reports on the basis of MHXS and obtain international credit ratings.

As a result of gradual reforms in the commercial banks of the Republic of Uzbekistan, an excellent normative legal basis for improving the activities of banks and banks, an organizational basis for accounting of bank operations was created.

In this matter, the Law of the Republic of Uzbekistan "On Accounting", the Law of the President of the Republic of Uzbekistan "On Banks and Banking Activities", the Instruction "On the Procedure for Accounting and Organization of Accounting in Banks", many regulations on the organizational foundations of accounting in commercial banks and guidelines were developed.

## 2. Review of literature (review of methodological materials).

There are different approaches and views in this field regarding the correct reflection of financial indicators in increasing competitiveness among banks in the context of increasing financial globalization worldwide, the organization of accounting in banks, that is, the development of organizational issues of accounting policy, the form, organizational principles, methods and features of accounting determines the need to pay attention to this issue.

In this matter, international standards of financial reporting, including international standards of financial reporting in joint-stock companies, are given special attention. Including the decision of the President of the Republic of Uzbekistan dated 24.02.2020 No. PQ-4611 separately, 1. To take measures to ensure that the financial statements of joint-stock companies are published based on MHXS. 2. To provide information to the Ministry of Finance about the introduction of MHXS in joint-stock companies. the issue is fixed. Therefore, in the process of accounting in commercial banks, it is necessary to find a solution to the issue of organization in the public sector on the basis of MFHSS. In this regard, national standards are being developed in the Republic of Uzbekistan on the basis of international standards of financial reporting in the public sector.

In this matter (Ibragimov A.2021) the following opinions were expressed: the goal of MHSS is "to find ways to create and implement universal standards of financial reports that are acceptable to everyone, taking into account the best aspects of financial reports of all countries in the world." Also, it consists in carrying out general work on constant adjustment of accepted standards and their improvement. MHXS is an international standard of accounting. Today, more than 40 such standards have been developed and put into practice.

Today, two benchmarks - International Financial Reporting Standards - MHXS (International Financial Reporting Standards - IFRS) and the generally accepted accounting rules of the USA - BHUQ (Generally Accepted Accounting Principles - GAAP) are recognized as the standard of accounting.

Accounting in commercial banks is organized according to a single system using the methods specified in the normative documents of the Central Bank of the Republic of Uzbekistan. Bank accounting is fully reflected in its accounting policy.

In this matter, the Russian economist-scientist (Teterleva A. 2016) defines the five main elements of financial reporting as one of the elements of IFRS, "Presentation and preparation of financial statements according to IFRS", namely:

Active;

Obligation;

Income;

Cost;

Capital

In fact, through these elements, it is possible to determine the effectiveness of the bank's activities, use the necessary database for external users of financial statements and the head of the organization.

In scientific articles on this topic (Mejueva E and Efremenkova T. 2022), in the process of planning the transition to the international standards of financial reporting, it should be noted that it is necessary to understand that it is about a serious restructuring of the processes familiar to the organization. Implementation of MXHS includes several stages:

1. Closer to management accounting and accounting of the organization. If there is a discrepancy between these two managements, it indicates that there will be serious problems in the organization in the future. Different information in documents reduces its reliability and complicates planning. This stage begins with the organization's management making a decision to transition to the EMS and assessing the resources needed for this. First of all, the head of the organization needs to determine whether there is an expert with the necessary knowledge and skills in implementing the EMS.

2. Development of a unified accounting methodology. In order to resolve conflicts in accounts, it is necessary to synchronize them. By increasing the frequency of document comparisons, the organization spends time and resources, but cannot identify the root causes of discrepancies. In order to develop a uniform methodology, an organization (or a group of companies) receives a set of rules that define the requirements for reflecting certain transactions in all types of accounting. Uniform reporting forms are required for all enterprises included in the group. When choosing a software product, the organization must consider the costs of implementation and the benefits of using it. Automation will ease the transition to MXHS, but today, MXHS reporting service companies offer their services. In this, as a rule, automated accounting systems are used, these operational data are maintained in the Plan of Accounts (plan schetov) and are coordinated with MXHS.

3. Formation of the initial balance on the date of transition. It is recommended to invite independent experts to evaluate the organization's assets and liabilities. At least three reporting dates must be selected and documents prepared for them when applying the IFRS for the first time. To determine the reporting dates, it is necessary to take into account the interests of shareholders, financial institutions that lend to the company and investors. This information will allow you to optimize the preparation of reports in accordance with the rules, to determine the extent to which an audit is necessary, and to choose whether it is useful to organize an international accounting department in the enterprise or to involve external consulting experts. Preparation of financial statements in accordance with IFRS. It is not appropriate to keep specialists in the field, reporting once or twice a year. Instead of turning to external experts

from time to time, it makes sense for the organization to hire its own employee to perform this work on a regular basis, as well as when it is combined with management accounting.

As we know, in this matter, the concept of improving the accounting and reporting system based on international standards was adopted in the commercial banks of the Republic of Uzbekistan, which made it possible to create a system of preparing financial reports based on the requirements of international standards.

### RESEARCH METHODOLOGY

The research methodology determines the philosophy and direction of the research, the research design, that is, the solution to the research problem, the ways of obtaining the necessary information for the research, and the research ethics are defined. Commercial banks operating in the Republic of Uzbekistan were selected as the research object (sampling). The subject of the study is the practices and methods that take place in the analysis of all financial indicators of commercial banks' accounting, financial statements, bank operations, that is, bank assets and their composition. As a result of the application of international standards of accounting in the practice of commercial banks, a great opportunity has been created to draw up higher quality financial reports, as well as to evaluate the results of the banking system, it provides a high level of integration of financial accounting and statistical reports for the banking system, effective management of bank assets due to the increase in the reliability and completeness of information. allows.

### CONCLUSION AND SUGGESTIONS

Currently, in the process of globalization of the economy, the role of each country, as well as the banks of Uzbekistan, in the economy is of particular importance.

In this regard, the Decree of the President of the Republic of Uzbekistan dated May 12, 2020 PF-5992 "On the Strategy for the Reform of the Banking System of the Republic of Uzbekistan for 2020-2025" primarily aims to increase the investment attractiveness of banks, fundamentally transform the banking sector, reduce the dependence of banks on state resources and certainly aimed at increasing the efficiency of banks.

The successful development of the country's economy largely depends on the efficiency of the banking system, and the ability to adapt to changes in the market situation and achieve high results with minimal cost is one of the main factors of the efficiency of the banking system in the context of global financial integration and increasing popularity of banking activity. Therefore, in the process of transition to MHXS, commercial banks faced a number of positive aspects and difficulties. It is worth noting that it is natural that there will be difficulties in the transition to international standards of financial reporting.

Most importantly, it is necessary to imagine the benefits of commercial banks in the future after these challenges.

In turn, commercial banks face a number of difficulties and problems in the transition to MHXS, namely:

- As we mentioned above, commercial banks are still turning to the services of external audit or audit firms due to the lack of potential employees with sufficient knowledge and skills to comply with the Financial Reporting Standards of Commercial Banks;

• One of the main problems is the "language" problem, that is, English is the officially recognized language of the CIS, and even in large organizations there are problems in the process of translating the CIS.

In addition, there is a problem of lack of quality and affordable software for accounting and reporting even at this stage of MXHS.

• Due to the fact that the technical preparation of the process of transformation to MHSS is not brought up to international standards, every commercial bank should reflect the process reflecting these issues in detail in the Accounting Policy and the orders, regulations and instructions attached to it.

• In commercial banks, priority is given to external control (audit) in the regulation of relations in the field of accounting, maintenance and reporting. Usually more emphasis is required on the internal type of control. Because if the internal control is properly and effectively organized, the absence of the need for external control is the most important condition of international standards.

Based on the experience of commercial banks and other companies in the last 15 years of the transition to the CIS, the following positive aspects can be observed:

First, increase information transparency - the feature of transparency provides quality financial information about commercial banks and international comparability. As a result, investors and other market participants will be able to make informed economic decisions.

Second, increased accountability – this feature reduces financial information gaps between investors and commercial bank managers. As a result, investors will have complete information on effective management of their investments.

Thirdly, when investors assess the financial condition of commercial banks, there will be an opportunity to check the rating of a commercial bank based on legal information.

Fourth, the increase in economic efficiency - based on the analysis of financial statements of commercial banks in a single financial language, investors will have opportunities to direct bank capital internationally and reduce risks.

Fifth, improvement of market liquidity and reduction of capital cost - detailed coverage of financial information and international comparability increases market liquidity and reduces domestic and foreign capital raising costs for commercial banks.

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Sixth, the development of capital markets and the expansion of the scope of trading in stock markets - the effective use of free capital funds and the provision of necessary capital to various sectors of the economy are of great importance in the development of capital markets.

In addition, the formation of the stock market in a particular country and the increase in sales is a factor of acceleration of economic development. In this case, the reporting data based on MHXS serves as the main and reliable source of information for capital market participants.

Seventh, the entry of foreign investments into the national market and the improvement of investor protection - the development and competitiveness of commercial banks, first of all, creates the need to attract foreign investments. For this, it is necessary to create a positive

investment environment for foreign investors in the national market and protect the rights of investors.

Acceptance of the MHXS by capital market participants and public publication of financial statements prepared in accordance with it will enable faster implementation of these processes. Eighth, the accuracy of commercial banks' financial report forecasts - an environment that ensures the quality and comparability of financial information has a positive effect on the activities of financial analysts and increases the quality of forecasting analyses. These analyzes serve to make the right economic decisions on the effective management of capital and the future capital attraction or distribution.

### List of Used Literature

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