

APPLICATION OF THE EXPERIENCE OF FOREIGN COUNTRIES IN MAKING ACCOUNTING AND PREPARING FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS IN UZBEKISTAN

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ABSTRACT

This article studies the experience of foreign countries in maintaining accounting and preparing financial statements in accordance with International Financial Reporting Standards (IFRS) in commercial banks of the Republic of Uzbekistan. The article primarily examines the organization of accounting based on international standards and the importance of financial statements in the process of globalization.

Keywords: Financial reporting, International Financial Reporting Standards (IFRS), commercial banks, experience of foreign countries, globalization, international accounting models.

INTRODUCTION

The integration of the economies of the world and the implementation of active investment policies by countries indicate a high demand for reliable, realistic and equally understandable financial information.

Today, there is an objective need for companies to prepare their financial statements based on International Financial Reporting Standards (IFRS). The implementation of International Financial Reporting Standards (IFRS) allows companies to improve their internal management systems by using uniform accounting methods, provide stakeholders with information about the financial condition of the enterprise and increase the company's competitiveness. Preparing financial statements in accordance with IFRS is of great importance for companies entering the international market, as well as attracting potential investors and is becoming a vital necessity.

Studying the experience of foreign countries in implementing IFRS and fairly assessing the problems and prospects in this process is a great opportunity for companies in Uzbekistan to transition to IFRS-compliant accounting and financial reporting.

The purpose of the transition to international financial reporting standards is to provide foreign investors with the necessary information environment and expand their access to international financial markets. When accounting and preparing financial statements based on International Financial Reporting Standards (IFRS), understanding the content and essence of IFRS standards is one of the main factors that serve to correctly formulate reports for accountants of organizations.

Currently, the number of companies that have begun to prepare reports in accordance with the requirements of the Resolution of the President of the Republic of Uzbekistan № PD-4611 dated February 24, 2020 "On additional measures for the transition to international financial reporting standards" is increasing. This resolution requires companies to form reports based on the norms of several laws and the requirements of reporting users (banks, exchanges, shareholders).¹

The globalization process requires that the procedure for organizing accounting and compiling financial statements be based on a single methodology.

In turn, today's rapid development process forces each business entity to reconsider its financial and economic activities and look for new opportunities for development. An important factor in the development of the economy of Uzbekistan, including the financial and banking sectors, is the assessment of the impact of international accounting models and the formation of a conceptual basis for organizing accounting and compiling financial statements. So, when we study international accounting models and switch to international standards, we must first clearly determine the methodology for properly organizing and maintaining accounting. This is also known from the experience of foreign countries, that is, the accounting policy is brought into line with the requirements set at the international level, and attention is paid to the concept of compiling and presenting financial statements.

LITERATURE REVIEW

One of the major tasks being carried out in our republic with the technical assistance of the World Bank is the process of fully harmonizing the existing accounting and reporting in the banking system with International Financial Reporting Standards (IFRS).

The concept of accounting has been given many definitions and different approaches by international and national economists and practitioners (auditors, accountants, analysts). It can be seen that all these definitions have a single goal, namely, a set of rules aimed at maintaining accounting and preparing financial statements.

The following were studied in the research work conducted by Raimova.M.D. Studying the experience of foreign countries in implementing IFRS and fairly assessing the problems and prospects in this process is a great opportunity for companies in Uzbekistan to transition to accounting and financial reporting in accordance with IFRS. The implementation of International Financial Reporting Standards (IFRS) allows companies to improve their internal management systems through the use of unified accounting methods, provide stakeholders with information about the financial condition of the enterprise, and increase the company's competitiveness.

The results of the study conducted by Adkhamov.S.I. brought the following conclusions:

1. The profit and loss statement prepared under IFRS has several features. The report records research and development expenses as a separate item, not included in operating expenses. The results of non-operating activities are shown separately. This allows users to clearly distinguish between the results of operating activities and non-operating activities. The

¹ Resolution of the President of the Republic of Uzbekistan No. PD-4611 dated February 24, 2020 "On additional measures for the transition to international financial reporting standards", www.lex.uz

earnings per share indicator is presented in an informative manner, which increases the usefulness of the report.

2. When preparing financial statements, it is necessary to determine the direct link between the occurrence and formation of financial results and the line of accounts. The financial statement should reflect only aggregated information on the formation of financial results.

According to N. Sapozhnikova: "The essence of the approach to international financial reporting standards is to develop a single set of standards that includes the principles and rules for the formation of financial statements and can be applied in any country."

It is clear from these considerations that, regardless of the field, the application of international financial reporting standards or the harmonization of their rules with the national economy has become a problem that can be solved quickly today.

METHODOLOGY

The scientific article on the analysis of the results of the application of the experience of foreign countries in accounting and financial reporting in accordance with International Financial Reporting Standards (IFRS) in commercial banks of the Republic of Uzbekistan and its improvement was carried out mainly by the deductive method. This is a method of transition from general to specific knowledge. Descartes highly values the human mind, as a result of which it develops rationalism.

The comparative method of analysis was also widely used in the conducted research. The comparative method is the most commonly used method in this analysis. It includes horizontal, vertical, trend methods.

The generalization of the results of the study of international accounting models and their assessment of their impact on the existing accounting and reporting system in Uzbekistan led to the selection of the most convenient methods of these models in the future, increasing the reliability of financial reporting and predicting, explaining and understanding the increase in investment activity for business entities. Also, the reliability of the results of the existing results at the selected object, "Xalqbank", JSCB, was confirmed based on inspections and observations, based on international accounting models and IFRS..

ANALYSIS AND RESULTS

In the process of globalization, much attention is paid to the systematization of accounting, the formation of information and the generalization of accounting (financial) data provided to interested parties on its basis. Such preparation of information may vary depending on the structure of the country's economy, its form and development characteristics. This largely depends on the characteristics of the country's economic, political, social, legal, religious, cultural development, which together form the theory and practice of accounting in the country, determine its tasks and goals. At the same time, accounting requires consideration as a tool that performs certain tasks and, in a broader sense, is built on an institutional environment.

The need for consistency in accounting in the international market necessitates the formation of an international accounting model. Currently, the reports of several large corporations fully comply with international standards. Accounting is determined by the society in which it

operates. The diversity of socio-economic conditions gives rise to a variety of methods and models of the accounting system.

Most accounting experts agree that it is difficult to find two countries in the world with the same accounting system, because although all countries in the world use accounting methods, the accounting reflection in them has its own characteristics, these reflections are explained in different ways. In turn, accounting systems in countries with similar socio-economic conditions have more in common, which allows us to generalize to certain models of the accounting system in them. The main distinguishing features identified as a result of the analysis of accounting models can be seen in the comparative data in the table below.

Table 1 Key distinguishing features of accounting models

Accounting models	Key distinguishing features
British-American, (Netherlands)	It is aimed at providing investors and creditors with reliable information. Since capital flows circulate through exchanges, its principles are aligned with the interests of the exchange. Tax accounting is maintained separately. The chart of accounts is used (or may not be used) in accordance with the characteristics of the industry and sectors.
Continental	Accounting is conducted in a conservative manner, based on strict legislative requirements and in accordance with Tax Policy. Since capital flows are channeled through banks under Government control, its principles are aligned with the interests of the Government and the bank. A Single Chart of Accounts is in effect.
Latin America	Aimed at ensuring the implementation of the government's economic policy. Calculations are made taking into account the impact of inflation.

In addition, it can be said that the Continental and British-American models, which are considered the leading accounting models, differ from each other in the following four main features:

1. The influence of the government management system on the activities of an economic entity;
2. Forms of capital movement;
3. The dependence of accounting principles on tax policy;
4. Technical requirements for accounting (chart of accounts, accounting registers, primary documents and reporting forms). Modern accounting models are developing based on the principles of double-entry bookkeeping, the Chart of Accounts, accounting registers and established financial reporting types, which are considered the main elements of accounting. At the same time, differences remain between the established technical requirements for accounting.

Table 2 There is a technical requirement between accounting models

Accounting models	Specified technical requirements
Continental model	Continental Model - Primary Documents, Chart of Accounts, General and Subsidiary Ledgers, General Journal, Opening Balance Sheet and Closing Balance Sheet
British-American model	Requirements for preparing primary documents, Sector-specific Chart of Accounts, General and Subsidiary Ledgers, General Journal, Trial Balance and Financial Statements

We have only indicated a few of the existing differences between the above accounting models. The need to eliminate such differences and develop the same (standard) rules for compiling financial statements for all countries is becoming a dream of accounting professionals for the future.

Therefore, economists are currently working on two models as the main accounting models - International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (GAAP).

The process of unifying accounting systems in different countries, ensuring transparency of reporting and the real economic situation in a particular enterprise, allows users of financial statements to make effective economic decisions. However, any changes in the accounting system require a lot of time and money and therefore the comparative economic benefits of such unification should be clear.

Such a presentation of information is extremely important for business entities engaged in Islamic financial institutions in making economic decisions on the allocation of economic resources in the interests of society. A comparative analysis of the main models of accounting and reporting is presented in the table.

Table 3 Specific features of accounting models

1.	British (Anglo-American)	The focus of accounting and reporting is on the interests of investors, creditors and shareholders.
2.	Continental	High level of state intervention in accounting policies of organizations and state control of financial statements
3.	Latin America	International orientation in the interests of transnational corporations and foreign participants in the international currency market (high inflation)
4.	Islamic model	The Islamic religious factor dominates, including the prohibition of speculative income and a number of activities.

These international accounting models are created to achieve certain goals and are closely related to the culture and history of countries. Studying the development of accounting in different countries allows us to understand what accounting problems are solved in certain countries, why accounting methods and concepts differ in different countries, and also to study the achievements of foreign colleagues.

It is known that currently, countries are divided into three categories regarding the application of IFRS: countries that directly recognize and adopt IFRS, countries that develop their own national standards based on IFRS and countries that do not recognize IFRS. Uzbekistan is included in the list of countries that develop their own national accounting rules based on IFRS.

However, these standards (National Accounting Standards) are not applied to the banking system. As a result, accounting and financial reporting in the banking system of our Republic are being fully harmonized with the requirements of international standards. In particular, positive work is being carried out in the following organizations and institutions to harmonize accounting in our republic with IFRS;

- Ministry of Finance of the Republic of Uzbekistan;
- Ministry of Justice of the Republic of Uzbekistan;

- Tax Committee of the Republic of Uzbekistan;
- Association of Banks of Uzbekistan;
- Association of Accountants and Auditors of Uzbekistan.

Along with this, the international auditing organizations known as the Big Four operating in our Republic also make a significant contribution to the formation of financial statements based on the requirements of international standards.

In the banking system of the republic, new approaches to the implementation of accounting and financial statements have been developed in order to adapt accounting and financial reporting to IFRS, achieve high rating indicators for banks, introduce modern technologies and methods, and improve the quality of financial and banking information.

As I mentioned above, starting from January 1, 2021, commercial banks, joint-stock companies, insurance organizations and other legal entities included in the category of large taxpayers will organize accounting based on IFRS and starting from the end of 2021, will prepare financial statements based on IFRS, the transition to IFRS is stipulated in the legislation. Taking this into account, financial indicators in commercial banks are very important for bank shareholders and investors. Therefore, we will present the financial indicators of JSCB "Xalqbank".

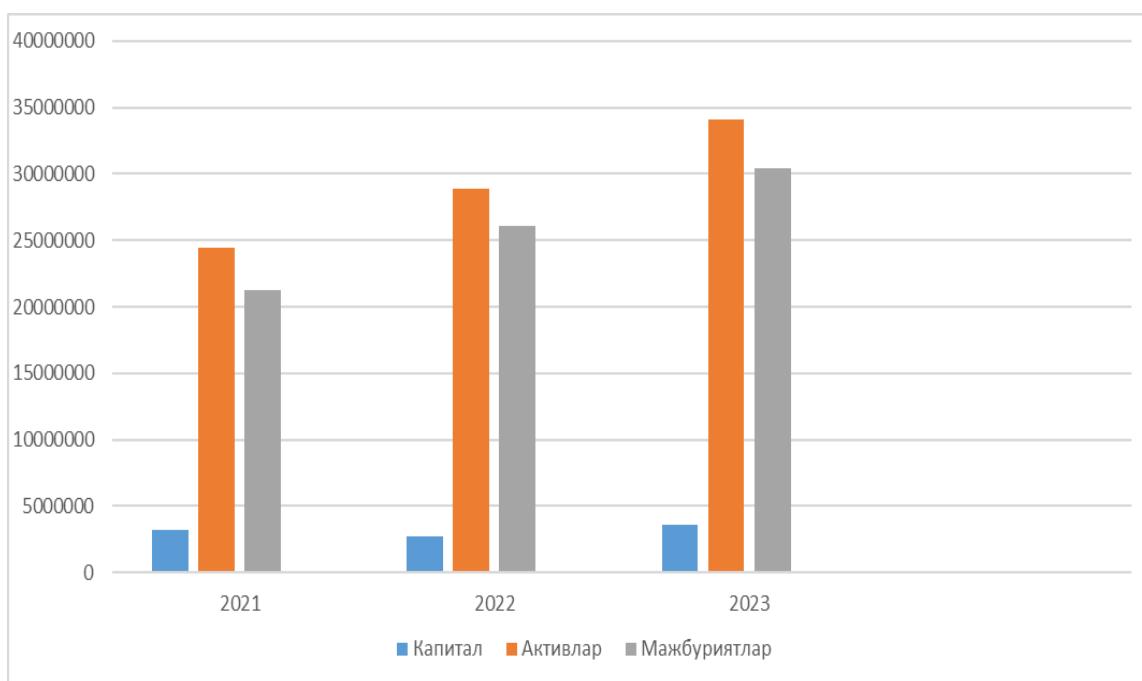


Figure 1. Annual financial indicators of JSCB "Xalqbank"

This figure shows that the financial indicators of JSCB "Xalqbank" in 2023 have increased sharply compared to the previous year. That is, assets are 34,063,796 million soums, which indicates the stability of the bank. Bank capital is 3,634,009 million soums. Bank liabilities are 30,429,787 million soums. This also indicates the stability of the bank's activities.

CONCLUSION AND SUGGESTIONS

In conclusion, it can be said that in the future the current accounting system in commercial banks of our Republic should be transformed into a developed accounting system that can fully meet the requirements of international financial reporting standards. Above, we have discussed in detail the harmonization of financial statements with international standards. I think that this topic is broad and interesting for everyone, and in the future we consider it necessary to improve it based on the opinions of those involved in this area (chief accountants and internal auditors), and in conclusion, we note the following;

First, the process of maintaining accounting and preparing financial statements in commercial banks in the Republic should be carried out in parallel with IFRS accounting.

Secondly, it is necessary to popularize the world's outstanding experiences in training specialists in the field of IFRS in our Republic, including increasing the number of non-governmental educational organizations for retraining and advanced training in the field of accounting and auditing, as well as improving the skills of accounting staff in commercial banks, legal entities included in the category of large taxpayers, and insurance organizations. Thirdly, the accounting policies established by banks indicate the soundness of their financial performance and are also one of the most important indicators of the state of commercial banks. In our opinion, it is impossible to compare and analyze a bank with other banks without familiarizing yourself with its accounting policies.

In conclusion, the introduction of international financial reporting standards in our republic is an important factor in attracting foreign investors.

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