



## DIRECTIONS FOR ADAPTATION OF FINANCIAL STATEMENTS TO INTERNATIONAL STANDARDS

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### Abstract

In the conditions of modernization of the economy, detailed information on the different aspects of the existing financial reporting forms from the international financial reporting forms and the order of their preparation is provided.

**Keywords:** financial statement, national accounting standards, international accounting standards, international standards of financial reporting, statement of financial position, statement of profit and loss, statement of cash flows, statement of changes in capital, harmonization

Uzbekistan Republic President Sh . Mirziyoev as noted : " Macroeconomic stability more strengthening and economic of growth high pace save stay , including national \_ currency and internal in the market price level stable to be provide - eng important priority is our duty . " <sup>1</sup>Also , the economy subjects more development issues in 2017-2021 Uzbekistan Republic development five priority direction according to Actions in the strategy defined priority in directions too separately set given <sup>2</sup>\_ Accounting account and financial of the report development verb legalities according to important conclusions was done If in 1494 " don't be duplicitous on the basis of "Yozuv " . account idea 15 accounting departments were created in 1973 account international standards based on financial of the report international integration started if so , by 2030 gone financial of the report the world on a scale completely international harmonization and one to the hilarity achievement expected <sup>3</sup>\_

### Application at the international level :

1. Currently financial of the report international standards used **in 140 countries of the world . G is also used in the majors of 20 countries .**
2. International standards of financial reporting are used in 116 countries. In the remaining 24 countries, it is not mandatory to use the MFRS, but it can be used in some form.
3. In the main countries, the auditor's opinion is required to express an opinion on the compliance of the audited financial statements with the IFRS.
4. "IFRS for SMEs" (standards for small and medium-sized enterprises) is allowed to be used in 73 out of 140 countries.
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<sup>1</sup> Mirziyoev Sh.M. Critical analysis, strict discipline and personal responsibility should be the daily rule of activity of every leader. - T.: Uzbekistan, 2017. - 66 p.

<sup>2</sup> " Uzbekistan Republic more development according to Actions strategy about » Uzbekistan Republic President of February 7 , 2017 No. PF -4947- decree .

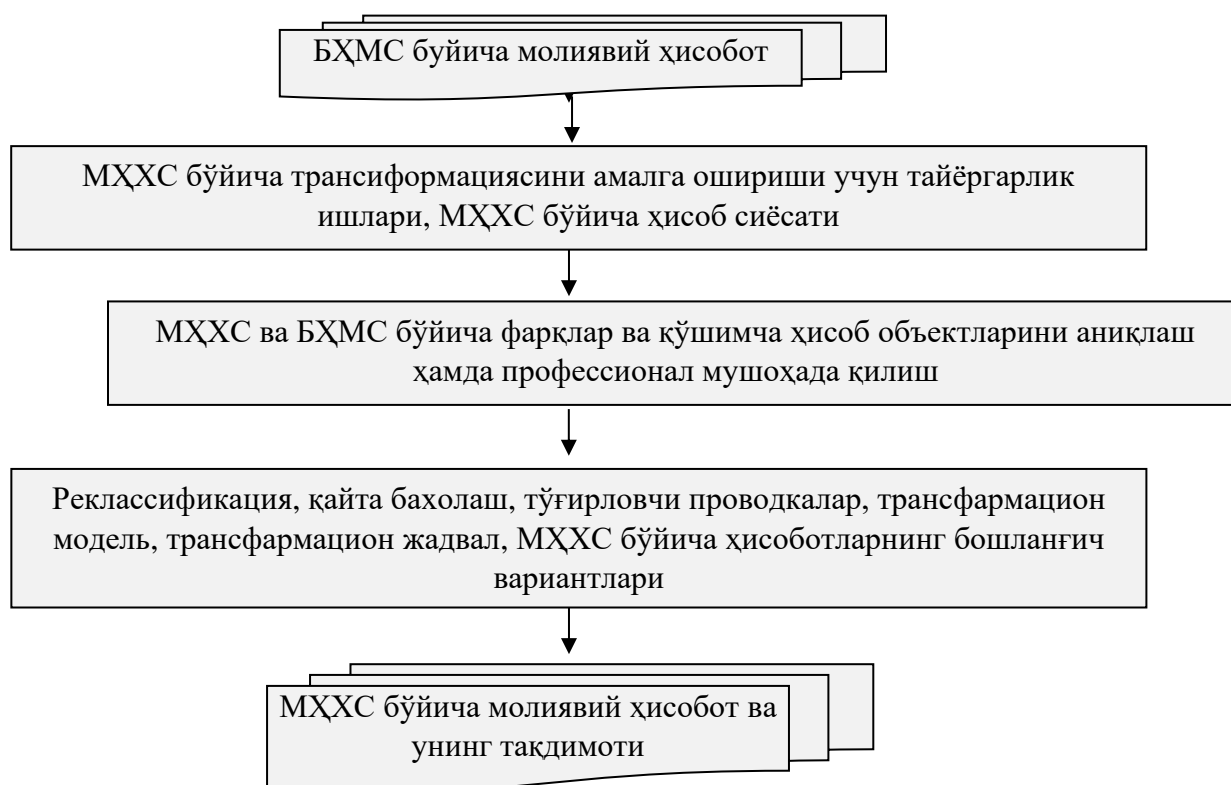
<sup>3</sup>of the Doctor of Science ( DSc ) dissertation was registered by the Higher Attestation Commission under the Cabinet of Ministers of the Republic of Uzbekistan under the number V2017.2 DSc / Iqt 49 .



## ANALYSIS AND RESULTS

Globalization and integration processes that are deepening in the countries of the world lead to the transition to generally accepted international norms and standards and the increasing demands for their implementation. This directly applies to accounting and reporting, which is generally accepted as an "international business language".

The direct attraction of foreign investments to the economy of our country, the creation and operation of free economic zones, make it necessary to organize accounting accounts based on the international standards of financial reporting (hereinafter referred to as IFRS). Currently, international standards of financial reporting are increasingly used by economic entities in the preparation of accounting information aimed at meeting the needs of external users.

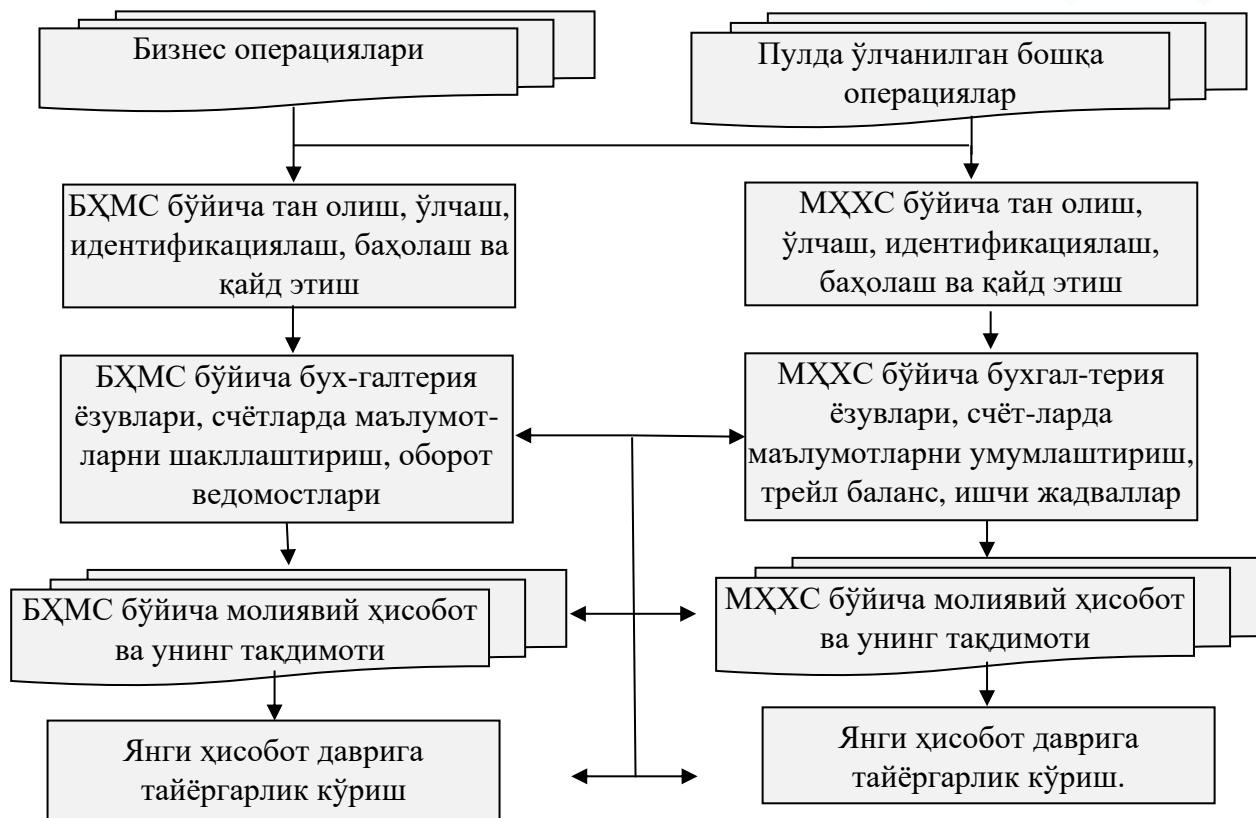


**Figure 1. Financial reporting transformation key  
Application at the international level :**

1. January 1, 2005, all listed companies in Europe have moved to MHXS.
  2. In Russia, banks switched to MHXS in 2004, and large companies in 2012.
  3. Large companies in Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan and Ukraine have switched to MHXS.
  4. Banks in Azerbaijan, Belarus, Turkmenistan, Uzbekistan have switched to MHSS.
  5. In Uzbekistan, the process of transfer of joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers to MHSS has begun.
- In the five priority areas of development of the Republic of Uzbekistan in 2017-2021, the 3 priority tasks of "introducing modern standards and methods of corporate management, strengthening the role of shareholders in the strategic management of enterprises" in the strategy of actions for the five priority



directions of the development of the Republic of Uzbekistan are also related to the recognition and wide implementation of EMS as the main standards in the transition to quality management. specified specific tasks <sup>4</sup>.



**Figure 2. Scheme of parallel accounting for MHSS**

of the President of the Republic of Uzbekistan No. PF-4611 of February 24, 2020 " On additional measures to transition to international standards of financial reporting " , No. PF-4947 of February 7, 2017 "On the strategy of actions for the further development of the Republic of Uzbekistan", Decree No. PF-5544 dated September 21, 2018 "On the strategy of innovative development of the Republic of Uzbekistan in 2019-2021", No. PF-4720 dated April 24, 2015 "On measures to introduce modern corporate management methods in joint-stock companies " , Resolution No. PQ-3946 of September 19, 2018 "On measures to develop audit activities in the Republic of Uzbekistan " , Resolution No. 207 of the Cabinet of Ministers of the Republic of Uzbekistan dated July 28, 2015 "Criteria for evaluating the effectiveness of joint-stock companies and other economic entities with a state share" This article serves to a certain extent to fulfill the tasks specified in the Decision "on introduction" and other normative legal documents related to this field .

In the Republic of Uzbekistan, the modernization of financial reporting is being carried out step by step. In particular, the subject "Financial accounting" was changed to "Financial accounting and reporting" in connection with the harmonization of curricula with international experiences.

<sup>4</sup> Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "On the Strategy of Actions for Further Development of the Republic of Uzbekistan".



of the President of the Republic of Uzbekistan dated February 24, 2020 No. PF-4611 "On additional measures for the transition to international standards of financial reporting", legal entities included in the category of joint-stock companies, commercial banks, insurance organizations and large taxpayers :

From January 1, 2021, **Based on MHXS** organizes accounting and prepares financial statements on the basis of the MFRS from the end of 2021, with the exception of legal entities for which the legislation provides for earlier periods of transition to the MFRS <sup>6</sup>;

the snow , the company requires the preparation and presentation of financial statements on the basis of IFRS. So, how to make a financial statement on the basis of the company's financial statements, which opens up such great opportunities and ensures transparency of the company, and how can it be achieved? There are two recognized ways of doing this.

**The first way is** to transform the financial statement prepared on the basis of BHMS on the basis of MHXS (Figure 1);

**The second way is** to maintain a parallel accounting system in accordance with the national accounting system alongside the national accounting system (Fig. 2).

Both paths have one requirement. Deep knowledge of BHMS and MH XS , having practical competence in their application.

The first way is the most widely used , low-cost and relatively uncomplicated. It should be noted that there are no MHSSs that determine the procedures and rules of financial statement transformation. Therefore, each enterprise should independently develop the principles of transformation in its accounting policy. For this purpose, it is appropriate to develop general approaches to transformation, to generalize accumulated experiences . The main important rules of the transformation process are as follows:

- Accounting according to MHXS is a matter for each company to decide independently, it independently determines its necessity and transition to it;
- Economic content prevails over form in accounting according to MXCC;
- MFRSs prioritize fair assessment ;
- The choice of accounting method (transformation or parallel accounting) according to MHXS is an internal matter of the company;
- Transformation is approached individually in each case;
- Transformation is a complex process that requires a professional approach;
- Reclassification, return to state, correction of wiring are the main methods of transformation.

Applying the transformation method when moving to financial statements does not immediately provide 100% results and error-free financial statements. Because the financial report on MHXS is formed due to many factors. It is a very difficult process to cover them completely in the first attempt. Only in the first transformation, large errors should not be allowed. The transformation experience is gradually formed, and as a result, the reliability of the transformed financial statements increases from year to year. Therefore, companies in Uzbekistan should start the transformation of financial statements based on MFRS today in order to get better results tomorrow. If companies do not feel the need to prepare financial statements based on their financial statements today, they will definitely feel the need tomorrow. Therefore, to meet tomorrow's need, it must start the transformation today.

<sup>5</sup> <https://lex.uz/docs/4746047>

<sup>6</sup> <http://uza.uz/oz/documents/moliyaviy-isobotning-khal-aro-standartlariga-tish-b-yicha-sh-25-02-2020>



It is advisable to carry out the transformation process in the following sequence:

**First of all, it is necessary to prepare** financial reporting components prepared according to national standards, as well as analytical accounting data reflecting the balance sheet, profit and loss and extensions of other reporting items, and, if necessary, initial documents.

**Second, reclassification and** revaluation of assets, liabilities and private capital elements . Reclassification and valuation of each relevant item in accordance with international standards also in the statement of profit and loss . Similarly, it is necessary to develop measures to harmonize other reporting items with the requirements of international standards .

**Thirdly**, it is necessary to make appropriate corrections to bring it to the level of MHXS, develop an additional wiring schedule.

**Fourthly**, after the appropriate corrections have been made using the accounting records, the preparation of the report is in accordance with the requirements of the MFRS.

fifthly, The correct use of terms plays an important role in the transition to MHXS . It is necessary to transfer the terms, names of indicators, their abbreviations to the terms corresponding to international standards in the reports prepared on the basis of national standards. If the indicator's value based on regrouping and evaluation is in accordance with international standards, but its naming is not appropriate, it becomes difficult to read and leads to confusion. For example, it is not the main asset to keep as "Property, building, machine and equipment". Therefore, it is necessary to harmonize the system of terms with international standards.

There is no single methodology for transforming financial statements based on national standards into financial statements based on international standards. It is appropriate for each enterprise to develop a transformation process methodology based on the nature of its financial and economic activity, resources and professional level of its employees. In our opinion, every enterprise must develop an accounting policy for the transformation of financial statements . Therefore, the company must meet the following conditions for financial reporting transformation:

- The company must have a financial report prepared according to its MIS. Internal and external information users of the company must be able to use the financial report compiled according to the MFRS and make decisions based on it;
- the financial report prepared on the basis of national standards should be objective, reliable, consistent and fully comply with the Law on Accounting and the National Accounting Standards of the Republic of Uzbekistan. It is desirable to obtain an audit opinion. In cases where differences and falsification and deviations from the requirements of national standards are large, the transformation will not give the expected result. Because the financial report prepared on the basis of BHMS is the raw material for the financial report prepared on the basis of MHSS.
- should include a financial accounting and reporting department .
- the company must have a stable financial position. Transformation of the financial statements of unstable, chronically loss-making companies will not be transparent enough and will not give the expected result.
- should have specialists who know the MIS, have deep professional training in the field of accounting and financial reporting, and can apply economic mathematics . Because transformation is a difficult, complex and professional process. There is a need for experts who have a perfect command of a foreign language and who have advanced their qualifications abroad, who have worked in foreign companies in the field of finance.

Special attention should be paid to the preparation of the first report in the application of MHXS. In this regard, "Presentation of the preliminary report on MHSS is a very laborious and complex process,



which requires a competent approach to the interpretation of indicators, professional assessment and collection of a large volume of reliable information. In order to prepare the preliminary report on MHXS for 2015, the company must now start transforming the report for previous years, evaluating assets and liabilities. After "closing" the report this year, it is necessary to draw up the financial report on the 2015 MHSS in order to publish it.

**of "Content prevails over form"** is followed in the preparation of financial statements in accordance with the Financial Accounting Standards . This means that all processes are comprehensively and continuously documented in our national accounting system. International principles focus not on the form and document of the operation, but on its economic nature. For example, valuation on the basis of fair value largely describes the economic content of the process. Therefore, **fair evaluation of international standards** gives priority . One of the main quality characteristics of the financial report prepared on the basis of MFRS is its **consistency** , i.e. the extent to which it can influence the decisions made, and **its reliability** , i.e. the extent to which the information reflects objective and truthful processes.

The transformation process can be divided into several steps . Each company approaches this according to its capabilities and level of professionalism. In our opinion, we can conditionally divide any work into three stages, for example, the first stage is to prepare for the implementation of this work, then to implement it in the second stage, and finally to achieve the result in the third stage and deliver it to users and customers. If we proceed from this point of view, it is appropriate to divide the transformation process conditionally into the following steps :

- 1) **The stage of implementation of preparatory work.**
- 2) **free to perform the transformation process procedure .**
- 3) **Result stage.**

The structure of the financial report, its composition, coverage of special situations and cases, reports on the merger and consolidation of enterprises, the coverage period, the type of economic entity and its auditability, and the classification into main and additional types were developed. In the work, the process of presenting the financial report, the group of information users, their interest in information and the content directions of their decisions were systematized. This makes it possible to form the structure and content of the financial report taking into account the needs of all users.

We believe that it is appropriate to define the forms of financial reporting in accordance with the regulatory legal documents and international standards in force in our country in the following content (table 2).

**Table 2 A. The main mandatory forms of financial reporting<sup>7</sup>**

| No | In the Law "On Accounting".          | It is offered in accordance with MHXS                                    |
|----|--------------------------------------|--|
| 1  | Accounting balance                   | Statement of financial position  |
| 2  | Statement of financial results       | Statement of profit and loss and other comprehensive income              |
| 4  | Money laundering report              | Money laundering report  |
| 5  | Statement of Equity                  | Statement of changes in equity   |
|    | Notes, calculations and explanations | Notes, a brief description of accounting policies and other explanations |

<sup>7</sup> The topic of the Doctor of Science ( DSc ) dissertation was registered by the Higher Attestation Commission under the Cabinet of Ministers of the Republic of Uzbekistan under the number V2017.2 DSc / Iqt 49 .



**B. Report of the past periods in accordance with the requirements of MFHSS**

Comparable information: statement of financial position at the beginning of the period; statement of profit and loss and other comprehensive income for the previous period

Statement of financial position for previous reporting periods (if the enterprise makes retrospective changes to accounting policies using IFRS for the first time or reclassifies financial statement items)

**V. Optional (additional) forms of financial reporting**

|          |   |
|----------|---|
| <b>1</b> | Income statement  |
| <b>2</b> | Report on retained earnings   |
| <b>3</b> | Report on the cost of products (work, services).                      |
| <b>4</b> | Report on movement of property, land, building, machine and equipment |
| <b>5</b> | Report on movement of intangible assets                               |
| <b>6</b> | Segmental financial reports   |

The transformation method has its advantages and disadvantages (Table 1).

**Table 1 Advantages and disadvantages of the transformation method**

| Advantages  | Disadvantages  |
|---|--|
| Compared to parallel accounting, it is a low-cost and economical accounting system  | There is a high risk of making a mistake, the possibility of serious falsification of data   |
| Accounting takes time   | A subjective approach, a subjective assessment can be allowed  |
| The accounting procedure is much simpler than the parallel accounting, if a good procedure is developed once, there will be no difficulties in processing the data, and the reliability of the data can be achieved.  | Limited to the transformation of the data in the report, the transformation does not reach the information in the interim summary and the initial documents.   |
| depends on the established procedure, model, method and professional knowledge of the employee  | Account performance is slow  |
| Showability of correction records, that is, the ability to make clear conclusions on differences  | B HMS. If it is not prepared, it is not possible to prepare a report on the MFHS   |
| It is possible to improve the system every year, find more efficient methods and eliminate the existing shortcomings, as a result, in a few years, it will be possible to create a perfect system suitable for this company, and it can be evaluated as know-how. | If there are errors and omissions in the financial report prepared for HMS B , it will definitely have a negative impact on the transformed report;  |
|   | There is a possibility of wasting time. Because this report is prepared after the financial report is prepared on the basis of IFRS. This will take some time;   |
|   | The transformation procedure and methods developed in one company cannot be fully supported by another company. Each company requires a different approach.  |
|   | The lack of access to factors applicable at the time of the transaction, such as initial value, exchange rate at the time of the transaction, and actual cost, results in the use of an average amount. This can lead to deviations from the actual value. |



**Fig. 3. Parallel calculation according to the MXXC**

| Statement of financial position              |  | Financial statement                        | Financial statement                          |
|--|--|--|--|
| <b>Assets</b>                                |  | <b>Assets</b>                              |  |
| <b>Non-current assets</b>                    |  | <b>Long-term assets</b>                    | Long-term assets                             |
| Property, plant and equipment                |  | Basic tools                                | Basic tools                                  |
| Intangible assets                            |  | Intangible assets                          | Other long-term financial assets             |
| Goodwill                                     |  | Goodwill                                   | Other long-term non-financial assets         |
| Available-for-sale investments               |  | Fixed assets held for sale                 |  |
| Investments in subsidiaries                  |  | Investments in subsidiaries                |  |
| Investments in associates and joint ventures |  |  |  |
| Investments into equity instruments          |  | Investments in securities                  |  |
| Prepayments to suppliers / contractors       |  | Payments made to suppliers and contractors |  |
| Deferred tax assets                          |  | Late taxes                                 |  |
| Trade and other receivables                  |  | Trade and other receivables                |  |
|  |  |  |  |
| <b>Total non-current assets</b>              |  | <b>Total non-current assets</b>            |  |
|  |  |  |  |
| <b>Current assets</b>                        |  | <b>Current assets</b>                      |  |
| Inventory                                    |  | Reserves                                   | Inventory                                    |
| Held for sale investments                    |  | Investments held for sale                  | Investments intended for sale                |
| Trade and other receivables                  |  | Trade and other receivables                |  |
| Receivables from related parties             |  | Related party receivables                  |  |
| Cash and cash equivalents                    |  | Cash and cash equivalents                  | Cash and cash equivalents                    |
| Restricted cash                              |  | Limited funds                              | I did not understand the translation of this |
| Prepayments to suppliers                     |  | Payments made to suppliers and contractors | Accounts Payable                             |
| Income tax prepaid                           |  | Prepaid taxes                              | Extended tax assets                          |
| Other current tax assets                     |  | Other current assets                       |  |
| Other assets                                 |  | Other assets                               |  |
|  |  |  |  |
| <b>Total current assets</b>                  |  | <b>Total current assets</b>                |  |
|  |  |  |  |
| <b>TOTAL ASSETS</b>                          |  | <b>Total assets</b>                        |  |
|  |  |  |  |
| <b>EQUITY</b>                                |  | <b>Capital</b>                             |  |
| charter capital                              |  | Capital charter                            | Sharedorlar (charter) capital                |
| reserve capital                              |  | Capital reserve                            |  |
| Other reserves                               |  | Bosch reservlar                            |  |
| retained earnings                            |  |  | Daromadi emission                            |





|                                      |  |                                      |                                    |
|--------------------------------------|--|--------------------------------------|------------------------------------|
|                                      |  |                                      | Sotib olingan yz promotions        |
| non-controlling interest             |  | Nazorat qilinmaidigan ulushlar       |                                    |
| <b>TOTAL EQUITY</b>                  |  | Zhami Capital                        |                                    |
| <b>LIABILITIES</b>                   |  | <b>Majburiyatlar</b>                 |                                    |
| <b>non-current liabilities</b>       |  | Uzoq muddatli majburiyatlar          |                                    |
| Borrowings                           |  | Debts                                | You have to think about naming it  |
| Trade and other payables             |  | Trade and other payables             |                                    |
| Deferred tax liabilities             |  | Deferred tax liabilities             | Extended tax liabilities           |
| Deferred income                      |  | Deferred earnings                    |                                    |
| <b>Total non-current liabilities</b> |  | Total long-term liabilities          |                                    |
| <b>Current liabilities</b>           |  | <b>Current liabilities</b>           |                                    |
| Borrowings                           |  | Debts                                | Q is qa term creditor indebtedness |
| Trade and other payables             |  | Trade and other payables             |                                    |
| Advances received                    |  | Advances received                    |                                    |
| Taxes on income payable              |  | Income tax payable                   |                                    |
| Other taxes payable                  |  | Other taxes paid                     |                                    |
| Other liabilities                    |  | Other obligations                    |                                    |
| <b>Total current liabilities</b>     |  | Total current liabilities            |                                    |
| <b>TOTAL LIABILITIES</b>             |  | <b>Total requirements</b>            |                                    |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |  | <b>Total liabilities and capital</b> |                                    |

## CONCLUSIONS AND SUGGESTIONS

Taking these into account, the implementation of the above points in practice ensures that the financial report is understandable to potential foreign investors, serves to improve the investment environment in the country, increases the possibility of submitting financial reports to international exchanges, and ensures the timeliness and effectiveness of the decisions being made. As a result, economic efficiency is achieved by reducing the cost of products, effective use of resources, increasing the export potential of companies, increasing the competitiveness of products, expanding the opportunity for financial incentives for employees, and increasing the professional qualifications of accountants and auditors.

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