

The Necessity and Advantages of Transitioning to International Financial Reporting Standards in Uzbekistan

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Abstract. *This article discusses the work being carried out in the Republic of Uzbekistan on the transition of financial statements to international standards and the results achieved. It also discusses the advantages of transitioning financial statements to international standards.*

Key words: *IFRS, IASB, SAP, IT, Investment, IFRS, software.*

Introduction: International Financial Reporting Standards (IFRS) are widely used throughout the world and have been introduced in each country at different times. International Financial Reporting Standards, commonly referred to as IFRS, are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). They provide a standardized way of describing a company's financial performance and position so that the company's financial statements are understandable and comparable across international borders. They are especially relevant for companies whose shares or securities are publicly listed. The International Accounting Standards Committee (IASC) was established in June 1973 by accounting bodies representing ten countries. It develops and publishes International Accounting Standards (IAS), interpretations, and conceptual frameworks. Many national accounting standard setters have drawn on this in developing national standards. The conceptual framework states that the primary purpose of financial information is to be useful to existing and potential investors, creditors, and other creditors in making decisions about financing the enterprise and in exercising their voting or other influence on management's activities. Key point: Companies can control spending decisions to manage performance. Many researchers have studied the effects of adopting IFRS, but the results are inconclusive. For example, one study used data from 26 countries to examine the economic consequences of mandatory adoption of IFRS. This showed that, on average, market liquidity increased when IFRS was introduced, but it is not clear whether the adoption of the IFRS mandate was the sole reason for the observed market impact. Incentives for firms to report, enforcement, and improved comparability of financial statements may also explain the effects.

On February 24, 2020, the President of the Republic of Uzbekistan adopted Resolution PQ-4611 “On additional measures for the transition to international financial reporting standards”. The purpose of this Resolution is to: improve the investment climate for foreign investment in our country, increase the investment attractiveness of companies; provide foreign investors with the necessary information, align the content and structure of reports with the needs of information users; ensure the introduction of corporate governance principles; expand access to international stock and financial markets for Uzbek companies and banks; increase the volume of export operations of joint-stock companies, holding companies and other enterprises; increase the competitiveness of companies; raise the system of training specialists in the fields of accounting and auditing to international standards. This

Resolution is a document of great historical importance in the development of accounting in our country.

The main goal of the Resolution is to provide foreign investors with the necessary information environment and expand their access to international financial markets. Investors and other users of financial information (for example, government bodies, trade unions, business partners, etc.) are interested in information about the organization they are interested in. This interest arises from the need for them to make economic, investment and legal decisions.

One of the important tasks of the Decree of the President of the Republic of Uzbekistan "On the Strategy of Uzbekistan - 2030" is to take a place among the countries with an above-average income through sustainable economic growth, to organize an education, medical and social protection system that fully meets the requirements of the population and international standards. Financial reporting compiled on the basis of International Financial Reporting Standards (IFRS) is used by information users mainly by international investors, tax authorities and founders.

The main objectives of the introduction of IFRS:

Attracting international investments:

International financial reporting standards ensure the reliability and comparability of financial information for foreign investors.

This will increase Uzbekistan's economic attractiveness.

Increased transparency: IFRS provides more accurate and understandable information about the financial position and operations of enterprises, which will help reduce corruption.

International recognition of financial statements:

For Uzbek companies to enter the international market, it is important that their reports meet global requirements.

The transition to International Financial Reporting Standards (IFRS) is a complex process and is accompanied by a number of difficulties in many countries, including Uzbekistan. The following is a more detailed description of the main problems encountered in the transition to IFRS:

1. Problems with the lack of qualified personnel: Highly qualified accountants and auditors are required to implement IFRS. Most specialists are accustomed to working according to local standards and it will take time and resources to adapt to the new standards.

Solutions: a) Invest in training and seminars.

b) Expand international certification programs (for example, ACCA, CPA, and IFRS courses).

c) Adapting finance and accounting education to international requirements.

2. The complexity of the transition period. When switching from local standards to IFRS, enterprises must introduce new procedures for preparing financial statements. This requires time and additional costs.

Significant differences in reporting formats and approaches create difficulties for enterprises.

Example: In many cases, local standards apply different rules for accounting for income and expenses, which complicates coordination between the two systems.

Solutions: a) Develop phased transition plans.

b) Prepare methodological guidelines appropriate for each sector.

c) Provide technical assistance by involving local and international experts.

3. Problems in the lack of technological and technical infrastructure:

Preparing reports based on IFRS requires modern accounting systems and software. In small enterprises and state organizations, such systems are insufficiently available or are outdated.

Solutions: a) Introduction of modern accounting software (for example, 1C, SAP, or Oracle ERP).
b) Establishment of state subsidies and support programs for technological solutions.
c) Attracting local IT specialists to automate accounting systems.

4. Differences and problems in legislation and legal regulation: The existing tax legislation and local standards in Uzbekistan are in some cases not fully consistent with IFRS. For example:

Rules for recognizing income and expenses.

Requirements for preparing tax reports.

Solution: a) Revision of tax legislation in accordance with IFRS.

b) Development of legal norms supporting work based on IFRS.

c) Establishment of close cooperation between government bodies and the private sector.

5. The problem of financial burden and additional costs: The transition to IFRS entails significant additional costs for enterprises:

Purchase of new software.

Retraining of specialists.

Hiring external auditors.

Solutions: a) Introduction of subsidies or tax breaks by the state.

b) Obtaining assistance from international financial organizations to develop programs for adaptation to IFRS.

6. Problems of misunderstanding and resistance: Many enterprises and accountants may not understand or resist the benefits of introducing IFRS. They perceive it as an additional burden.

Solutions: a) Raising awareness of the benefits of IFRS.

b) Regular dialogue with enterprises by the Ministry of Finance and other government agencies.

c) Development of incentive programs supporting the transition to IFRS.

d) Simplification of tax policy in accordance with international standards.

Opportunity: The development of tax reports in accordance with IFRS will reduce the differences between the financial and tax systems.

Advantages: Unification and simplification of reporting forms.

Fair distribution of the tax burden.

Result: Reducing the burden on taxpayers and increasing the efficiency of tax administration.

Increasing financial transparency and accountability. Opportunity: IFRS provides more accurate, detailed and reliable financial information, which helps to improve the level of governance of enterprises.

Advantages: Creates the opportunity for corporate management bodies to make better decisions.

Reduces the risk of corruption.

Increases the efficiency of state control and tax authorities.

Result: Increases the efficiency of financial management systems.

CONCLUSION.

The transition to International Financial Reporting Standards (IFRS) is a strategic step of great importance for the economy of Uzbekistan. Through this process, the country's enterprises will increase their access to international markets, attract foreign investment, ensure financial transparency, and develop management systems. The introduction of IFRS will not only improve the

quality of financial reporting, but also stimulate technological innovation and the training of qualified personnel.

Reliable information will be provided to international investors and an opportunity will be created for enterprises to adapt to internationally recognized standards. This change will also open up new opportunities for small and medium-sized businesses, making them active participants in global markets. The economy will increase efficiency by developing technologies and simplifying the tax system. In general, the transition to IFRS will serve as an important foundation for economic stability and global integration in the long term. At the same time, training qualified personnel, developing technological infrastructure, and strengthening public-private cooperation remain urgent issues in this process.

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