

## ACCOUNTING SYSTEMS IN UZBEKISTAN BASED ON THE REQUIREMENTS OF IFRS

**Kuchkarov Baxrom Kuziyevich**

*Fergana Polytechnic Institute, Senior Lecturer, Department of Accounting and Audit,  
[b.kuchkarov@ferpi.uz](mailto:b.kuchkarov@ferpi.uz)*

**Urmonov Xasanboy Xaydaralievich**

*Fergana Polytechnic Institute, Assistant, Department of Accounting and Audit,  
[xasanboy\\_urmonov2023@ferpi.uz](mailto:xasanboy_urmonov2023@ferpi.uz)*

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### Abstract

This article discusses the relevance of the transition of the national accounting standard of the Republic of Uzbekistan to international financial reporting standards. The role of measures to accelerate the transition of the accounting system in Uzbekistan to international financial reporting standards in recent years in attracting foreign investment is analyzed. The goals and requirements of the Decree of the President of the Republic of Uzbekistan PP-4611 "On additional measures for the transition to international financial Reporting standards" dated February 24, 2020 were recognized as the beginning of fundamental changes in accounting policy in the Republic and attention was paid to its essence.

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**Introduction.** The processes of globalization and integration, which are deepening in the countries of the world, are the reason for the transition to generally recognized international norms and standards, as well as increasing requirements for their implementation. This directly refers to the account, which is the language of international business derived from the common. President of the Republic of Uzbekistan Sh.Mirziyoyev noted that the idea of "further strengthening macroeconomic stability and maintaining high rates of economic growth, including ensuring the balance of the state budget at all levels, as well as the stability of the price level in the national currency and in the domestic market, is our top priority"[2] determines how much the subject of the study is in demand today.

Currently, methods of a new, modern approach to the assessment of the results of financial and economic activities of economic entities reflected in the financial statements are much more necessary. This requires in—depth research to improve the quality of its activities on the existing theoretical, organizational and legal foundations and practical problems, as well as the organization and development of external and internal accounting at the modern level in our republic.

**Analysis and results.** In the context of the global economy, maintaining global accounting policies and adopting standards is a requirement of today. Transparency of accounting policy allows any user of information to make competent financial decisions, that is, a potential investor. The regulatory and legal

basis for creating an accounting system in Uzbekistan based on the requirements of International Financial Reporting Standards (IFRS) is the decree of the President of the Republic of Uzbekistan "On additional measures for the transition to international Financial Reporting Standards" dated February 24, 2020 PP-4611 [1].

Naturally, as can be seen from the above, great steps have been taken in our Republic to implement the transformation of our economy on the basis of IFRS and the organization of accounting. Because, looking at the world with a new look, he points out that this decision is another step, since our Republic will now abandon the closed economy as much as possible and form an open, transparent, new economy. The need to maintain financial statements based on international standards, in our opinion, is justified:

First of all, the fact that the countries of the world are formed on the basis of national requirements for financial statements and reports cannot adequately provide an opportunity to identify, compare and compare the financial condition of the research object;

Secondly, the use of IFRS requirements for accounts and reports as a guideline serves to increase the investment attractiveness of the country and meet the demand of domestic owners for information;

Thirdly, it creates an opportunity to achieve the sale of the national securities market through the world stock exchanges and serves to increase the inflow of currency [3];

Fourth, it serves to increase the number of international companies in the national economy and expand their activities [4];

Fifth, the creation of a single recognized financial report based on the requirements of IFRS increases its efficiency, and the costs of compilation are reduced;

Well, if the transition to IFRS gives so many opportunities why this process has been delayed so far, there are several reasons why:

- Before the beginning of the history of the New Uzbekistan, the leadership of the republic showed interest and voluntary will to ensure that the economy of our country was isolated from the world economy.
- The fact that the state becomes a provider of financial information and at the same time a user of financial information [5]. This, in turn, led to a one-sided view of the value and formation of financial information.
- The low level of digitalization of the economy in our country and the fact that it is technically not well established.
- Insufficient qualifications of qualified specialists and the presence of a shortage of textbooks, as well as a low level of foreign language proficiency.
- The height of the share of the shady economy of our country.

The success and duration of the transition to a full-fledged financial reporting system based on the requirements of IFRS, basically speaking, can be predetermined by the fact that the idea of transition directly underlies effective management in the management of companies and organizations [6]. IFRS have played an important role in the convergence, harmonization and further improvement of financial reporting standards worldwide. They are used for the following purposes:

- serve as the basis for national accounting and reporting requirements in most countries;
- Its use as an international reference point for individual countries that are developing their own accounting and reporting requirements (along with industrialized countries, for example, for markets that are currently developing. (China, other Asian countries, as well as countries of the

former Soviet Union);

- in cases where stock exchanges and regulatory authorities require that financial statements be prepared in accordance with international standards [7];
- use by national authorities, such as the European Commission, which has decided to base its full financial statements on international standards when developing standards for capital markets;
- The use of financial statements due to the increase in the number of companies, even in countries where international standards are not required.

Due to the above, international financial reporting standards are used and recognized more widely throughout the world. Even some countries use IFRS unchanged as their own standards, and some make some changes depending on the nature of the country. Large multinational companies, on the other hand, emphasize that it is convenient for them to use international financial reporting standards. Misinterpretation of certain actions the task of correct, competent, professional translation of the content of international standards into Uzbek is one of the most important pressing problems [8]. Therefore, it is necessary to create an IFRS council and translate existing IFRS standards into Uzbek, republish them and adopt new ones, taking into account changes, comments, standards that are made through it, as well as provide free access to these materials.

Today, Uzbekistan has taken the path of entering international investment markets, as well as accelerating the attraction of investments from around the world. For this reason, officials were assigned measures for one to two years to switch to IFRS [9]. We believe that this process will not be easy in the short term, but from now on this decision cannot be overestimated.

The presidential decree requires new economic knowledge and skills. For this reason, accountants can express protests and dissatisfaction in a number of Internet networks. The acquisition and assimilation of new knowledge, knowledge of a new way of working, getting used to the shell and appearance, requires effort and labor. But the real situation in the modern world economy is such that the basis of the accountant's activity is the interests of the user of financial information, that is, the investor and the owners who make decisions, and not vice versa. But, alas, many enterprises and organizations do not understand the heads of companies and banks, that is, the task of accountants is to submit tax reports correctly and on time or to make calculations for control and reconciliation.

You can see how accountants accustomed to thinking and working the old-fashioned way, accuse the principles of IFRS of incomprehensibility and excessive abstraction. One of the main reasons for this is that the new rules force the chief accountant to understand the business of the organization in which he works in the manner of an economist and financier.

At the same time, there is no doubt that the introduction of international reporting standards will move to a new stage in the development of the country's economic sectors. The report, compiled according to IFRS, reflects the real processes in the activities of Uzbek enterprises, organizations and companies. When assets are accounted for at market value, stocks are calculated correctly, this becomes clear to foreign users in most countries of the world. As a result, the introduction of IFRS will help not only Uzbek enterprises, companies and banks to reach the international level, but also attract investment.

Taking this into account, the adopted Presidential Decree aims to create conditions for the formation of the investment climate in the country and accelerate its functioning, stimulate it. The created legal framework provides favorable conditions for broad investment activities of foreign partners, serves to satisfy their demand for information and protects the investments they have spent. For example, further strengthening of the transition to IFRS from 2016 will have a great impact on the economy of our country, as can be seen from the dynamics of information on enterprises and organizations with foreign capital operating in 2017-2022. (Figure 1.)



**Figure 1. Information on operating enterprises and organizations with foreign capital (as of October 1, 2022)**<sup>1</sup>

In the next five years, the number of enterprises operating with the participation of foreign capital increased 2.8 times.

Considering that every investor, before investing, should thoroughly study the country, think about it and choose the most suitable and most profitable among the rest, these indicators clearly show the future of the new Uzbekistan [10].

Uzbekistan is undergoing large-scale economic and social reforms aimed at accelerating economic growth, expanding international relations and creating a favorable legal environment for foreign direct investment. The strategic geographical location of the country, rich and diverse natural resources and a huge domestic market with a population of 35.8 million people open up huge opportunities for investment and growth. In order to improve the welfare of its citizens, stimulate business development and introduce modern technologies, the Government of Uzbekistan pays priority attention to increasing foreign investment.

The main features of the new foreign policy of Uzbekistan are openness, pragmatism, the desire for predictability, orientation to the priorities of long-term sustainable development, strengthening of good-neighborly relations with neighboring countries, expansion of international cooperation on a gratuitous basis.

As a result, consistent reforms are being implemented in various sectors of the economy of Uzbekistan today, aimed at stimulating the process of creating internal conditions necessary for doing business and attracting investment. Also, of the existing enterprises with the participation of foreign capital, 6,267 were joint ventures, and 8,501 were foreign.

In recent years, Uzbekistan has been experiencing rapid changes in the economy and is gaining increasing recognition in the international community as one of the symbols of openness, innovation and firmness in overcoming business and investment barriers. Consequently, the increase in the number of enterprises with the participation of foreign investments is primarily due to the improvement of political stability in the country and the legal framework for investment activities. Under the motto "New Uzbekistan", radical changes, turns and accelerated reforms in state policy and economy began [9]. A new, democratic image of our country is being created in Uzbekistan on the basis of modernization of our economy, ensuring human rights and freedoms, and the rule of law.

<sup>1</sup> The drawing was developed by the author using the official website of the Statistical Committee of the Republic of Uzbekistan <https://www.stat.uz>.

**Conclusions.** At this stage, the President's decision has become a requirement of today and the main document determining the economic future of our country. The main thing now is how the system will work, whose interests will be paramount, the potential of documents providing economic information and carriers will be considered as paramount issues.

The issue of preparing and submitting reports that contribute to the successful development of business as a result of economic liberalization and further deepening of reforms, gives an opinion on the reliability of financial statements of economic entities, exists not only in Uzbekistan, but also in most developed countries of the world. The problem of standardization of reporting information arose mainly due to the very diverse composition of users of financial statements and the differentiation of their interests.

Today, all reporting methods are widely used in Uzbekistan, the choice of which largely depends on the type of economic entity and the scope of its activities. With the introduction of IFRS, the transparency of companies' activities increases, it becomes possible to compare the financial indicators of a domestic and foreign company. This, in turn, allows you to use the information obtained during the preparation of financial statements, both for budgeting, planning changes in the composition of the group, and for assessing the strategic development of the business.

Instead of concluding the final goal of the transition to IFRS in our country is to improve the welfare of the people as our president noted, "our main goal is to please the people" each reform serves the principle of the idea "for human dignity".

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