



## **REQUIREMENTS FOR FINANCIAL STATEMENTS IN MODERN CONDITIONS**

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### **Abstract**

The article examines the importance of the complete and transparent preparation and presentation of financial reporting information, which is an important factor in conducting business and further expanding cooperation with foreign countries and investors. Special attention is paid to the recent work in the field of accounting and auditing in our country, including the importance, necessity and procedure for the transition of business entities to financial reporting standards.

**Keywords:** Accounting, auditing, international financial reporting standards, financial reporting, reporting standards, financial accounting, tax accounting, financial information, net profit.

### **Introduction**

Financial reporting is the main tool for providing accurate and systematic information about the financial condition of any business entity, the results of its activities and cash flows. This report provides users, including investors, creditors, government agencies and other interested parties, with the information necessary to make appropriate economic decisions. The formation and presentation of financial reporting is carried out on the basis of the requirements of International Accounting Standards (IAS). These standards increase the reliability, objectivity and ease of understanding of financial reporting. Reporting prepared in accordance with international standards allows you to form an objective and complete picture of the financial condition of organizations.

In Uzbekistan, in the context of the modernization of the economy and the integration of the country's economy into the world community, the development of the quality of information provision of financial reporting is of particular



importance.

Currently, financial reporting prepared for shareholders and other users uses accounting principles and rules that are being transferred from country to country, and in some cases, are used only in one country. Thus, the comparability of accounting reports may be lacking. The disadvantage of this situation is that investment analysts and other users of financial statements have to incur additional costs in the process of analyzing the report due to its preparation according to different standards. They may also encounter confusion in interpreting the reports. In connection with this process, effective competition in the global capital market deteriorates, and companies have to bear higher costs of maintaining capital.

Accounting is an information system that identifies, processes and provides information about a specific business entity to users interested in the financial condition of the entity in the form of financial statements. The purpose of accounting is to satisfy the needs of various users for information with the least cost to obtain this information. It goes without saying that the economic benefits that can be obtained as a result of using the information system for making decisions should outweigh the costs incurred by this system.

### **Methodology**

One of the main tasks of the current situation is the preparation and presentation of financial reporting information in a complete and transparent manner, understandable to all, which is an important factor in conducting business, further expanding cooperation with foreign countries and investors. In order to implement this task, special attention is paid to the field of accounting and auditing in our Republic, and a number of positive works have been carried out in this direction in recent years.

The Resolution of the President of the Republic of Uzbekistan “On Additional Measures for the Transition to International Financial Reporting Standards” dated February 24, 2020 No. PQ-4611 opened a new page in accounting policy in our country. In accordance with the Resolution, from January 1, 2021, accounting will be conducted based on IFRS:

- joint-stock companies
- commercial banks



- insurance organizations
- legal entities included in the category of large taxpayers [1].

At the same time, the transition to international standards during this period concerns not only individual companies operating in the above-mentioned areas, but also the entire internal accounting system. Since the harmonization of systems was carried out through the introduction of new accounting regulations and changes to existing rules, which ultimately allowed many Uzbek enterprises and companies to fully apply a number of IFRS rules in their internal accounting systems without significant disruptions.

Accounting standards are a vital document that has emerged in the course of the development of accounting. The need to develop and comply with accounting standards arises from the following factors:

- In a market economy, the number of users of financial information is increasing sharply. Each of them has different requirements for the composition, quantity and quality of the financial information provided. The generalization of the interests of all information users and the creation of a single form of reporting for all of them is possible as a result of general compliance with accounting standards.
- External and internal information users familiarize themselves with the financial statements of several enterprises of interest to them in order to make informed decisions about the financial and economic activities of their companies or the effective use of funds, compare and analyze them. The fact that enterprises with different forms of ownership and engaged in different activities achieve comparability of financial statements is also a result of general compliance with accounting standards.
- With the help of financial accounting standards, it is possible to regulate, manage and maintain a single accounting policy at the national level. Standards are the result of achieving the implementation of conceptual rules of accounting in practice.
- The deepening of international relations, the emergence of multinational corporations and enterprises with foreign investment, make it necessary to generalize international accounting rules. The world community has recognized that the generalization of generally accepted accounting rules in the international framework can be achieved through the development of international accounting



standards. In international accounting, accounting standards are divided into three categories:

- International Accounting Standards (IAS);
- International Financial Reporting Standards (IFRS);
- National Accounting Standards (NAS).

Ensuring the reliability of reporting can be carried out in accordance with a number of principles:

- Transparency;
- Consistency;
- Reliability;
- Comparability [2].

## **Result**

It is known that the goals of the state and owners of financial information are not consistent with each other in all countries of the world. As a result, accounting is carried out on the basis of two different rules: one is tax accounting, the other is financial. According to international financial reporting standards, the difference between net profit calculated for income tax purposes and business profit calculated for financial information must be openly presented and explained to users, and all serious risks of possible additional taxes and penalties must be reflected in the report.

In Uzbek accounting, special attention is paid to interpreting and reflecting the facts of economic life in strict accordance with the requirements of the developed regulatory and legal framework focused on tax and civil legislation. However, this approach is fundamentally different from the principles of interpreting accounting in the system of international financial reporting standards. The economic meaning introduced by the legislator when determining the same indicators may differ between countries. However, in the system of International Financial Reporting Standards, these differences are eliminated by regulating single, generally accepted definitions for the reports of all countries using this account, thereby ensuring the availability and transparency of reporting information.

The information presented in accordance with the requirements of international financial reporting standards reflects the fair value of the objects being accounted



for. The most problematic issue for local accounting representatives is the fair valuation of assets and liabilities, since this practice is new to the local accounting system [2].

Due to the fact that a large number of state properties are not being used effectively in Uzbekistan, increasing competition, as well as the transition to a market economy, and other reasons, large-scale privatization began in 2021. The biggest obstacle to the privatization process, or rather, one of the reasons slowing down the process, is that the accounting of these organizations is not prepared on the basis of International Financial Reporting Standards. Reporting standards include rules on the criteria by which information on financial information should be recognized, evaluated, classified, and presented. The full texts of the standards and their official interpretations are published on the website of the International Financial Reporting Standards Board, whose headquarters is in London. This site contains translations of the standards in almost all languages of the world.

International Financial Reporting Standards are regularly supplemented with new requirements, therefore, timely monitoring of all decisions and their timely application in accounting activities will lead to positive results. To perform these tasks, experienced specialists are definitely needed, because in business activities, in addition to regularly studying the requirements of the decisions, it is necessary to work in compliance with the laws in force in Uzbekistan. It is necessary that the prepared Financial Statements and the process of maintaining accounting reports meet all requirements.

The application of Financial Reporting Standards in Uzbekistan is very important for managers who want to provide foreign business owners with accurate financial results. Financial reporting compiled on the basis of these standards confirms the reliability of the company and the transparent operation of the company in strict compliance with all legal requirements. Today, the preparation of financial statements in accordance with international financial reporting standards is of great importance for enterprises entering international markets, as well as attracting potential investors, and is becoming a vital necessity.

Currently, the adoption of international financial reporting standards and the submission of reports in accordance with them create a unified environment for the exchange of financial information in the global market. This process, in turn, contributes to increased information transparency, accountability and economic



efficiency. Also, the application of international financial reporting standards leads to improved market liquidity, the development of capital markets, an expansion of the scope of trading in securities markets, the entry of foreign investments into the national market, and improved investor protection. To achieve these results, it is necessary to implement measures for the effective implementation of international financial reporting standards in the national market. Studying the experience of European countries in implementing these standards and fairly assessing the problems and prospects in this process is a great opportunity for enterprises in Uzbekistan to transition to accounting and financial reporting based on international standards.

The above-mentioned Resolution of the President of the Republic of Uzbekistan PQ-4611 dated February 24, 2020 "On additional measures for the transition to international financial reporting standards" initiated a new stage of reforms in the accounting sector and the introduction of international financial reporting standards in Uzbekistan. International standards allow for an objective and realistic reflection of business, management and activity performance in officially published reports, as well as a clear understanding of important trends in the continuity, development and progress of the business. This will create the basis for increasing the volume of foreign investments attracted, strengthening international relations, forming a group of potential buyers, and generally increasing influence in the international arena.

To ensure the implementation of the tasks set out in the Presidential Decree, it is necessary to carry out a number of works, including the popularization of successful world experiences in training specialists in this field for the qualitative application of international financial reporting standards, including expanding cooperation with non-governmental educational organizations (International Association of Certified Certified Accountants - ACCA) and others for retraining and advanced training in the field of accounting and auditing. In order to accelerate the transition to international financial reporting standards, it is necessary to ensure the participation of accountants who have a document confirming the successful completion of the subject "Financial Reporting under International Financial Reporting Standards" or one of the following certificates: "Certified International Professional Accountant (CIPA)", "Certified Certified Accountant (ACCA)", "Certified Public Accountant (CPA)" and "Diploma in



International Financial Reporting (DipIFR)" in the implementation of each financial transaction in our country [3].

## **Discussion**

In order to ensure the implementation of the decision, in order to improve the quality of information reflected in financial statements, it is necessary to align its structure and content with the interests of information users, use the most advanced methods and techniques in processing and transmitting information, introduce international instruments and standards, as well as improved sample financial reporting formats that fully comply with the requirements of IFRS.

At the same time, enterprises and organizations themselves should benefit from the transition to IFRS and feel its advantages. In Uzbekistan, the transition to IFRS should be considered as a task of strategic importance in ensuring the financial stability of enterprises by achieving investment attractiveness;

Economists working in the field of accounting have recommended developing standards that are available in IFRS but are not part of the IASB in order to further improve the accounting system. It is necessary to develop interpretations of standards. Proposals have been made to convert other statutory and regulatory legal acts on accounting, including Regulations and Rules, into standards [4]. In conclusion, it can be said that every year many Uzbek enterprises have a need to prepare and present their financial statements based on International Financial Reporting Standards (IFRS). On its basis, appropriate economic decisions can be made. Regardless of the need to prepare reports in accordance with IFRS, the management of enterprises must choose the most appropriate way to solve this problem

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