

ADVANTAGES AND FEATURES OF INTRODUCING INTERNATIONAL STANDARDS OF FINANCIAL REPORTING IN OUR COUNTRY.

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Abstract

This article covers the advantages and features of the introduction of international standards of financial reporting in our country, analytical information about international standards of financial reporting, accounting and reporting standards, the process of joining international capital markets, financial reporting standards and comparison of accounting documents between companies on a global scale.

Key words

accounting, international integration, financial reporting, international standards, national accounting, financial resources, international financial reporting standards, continental model, British-American model.

In recent years, the international market has been characterized by increasing attention to the problem of bringing accounting to an international unified system. Along with the growing role of international integration in the economic spheres of various countries, the development of business imposes certain requirements on the uniformity and accuracy of algorithms and principles of formation of profit, tax base, investment conditions, capitalization of received funds, etc.

It should be noted that the international standards of financial reporting are a set of uncompromising and fairly general accounting options. International standards of financial reporting are not dogma, regulatory documents that regulate certain methods of accounting and reporting standards. They are advisory only, i.e. not required for admission. Based on them, national accounting standards can be developed in national accounting systems that regulate the accounting of specific objects in more detail.

The use of international standards of financial reporting is necessary for the following reasons: preparation of financial reports in accordance with international standards is one of the important steps that open the possibility of joining the international capital markets of our country's organizations. It is known that

capital, especially foreign capital, requires the transparency of financial information about the activities of companies and the reporting of management to investors. Foreign investors will have the opportunity to monitor and understand how the capital provided to them has been used through financial statements.

International financial reporting standards are regulations that define the recognition, measurement and disclosure requirements of financial statements of companies around the world. Financial reporting standards ensure the comparability of accounting documents between companies on a global scale, and are also one of the conditions for the availability of reporting data for external users.

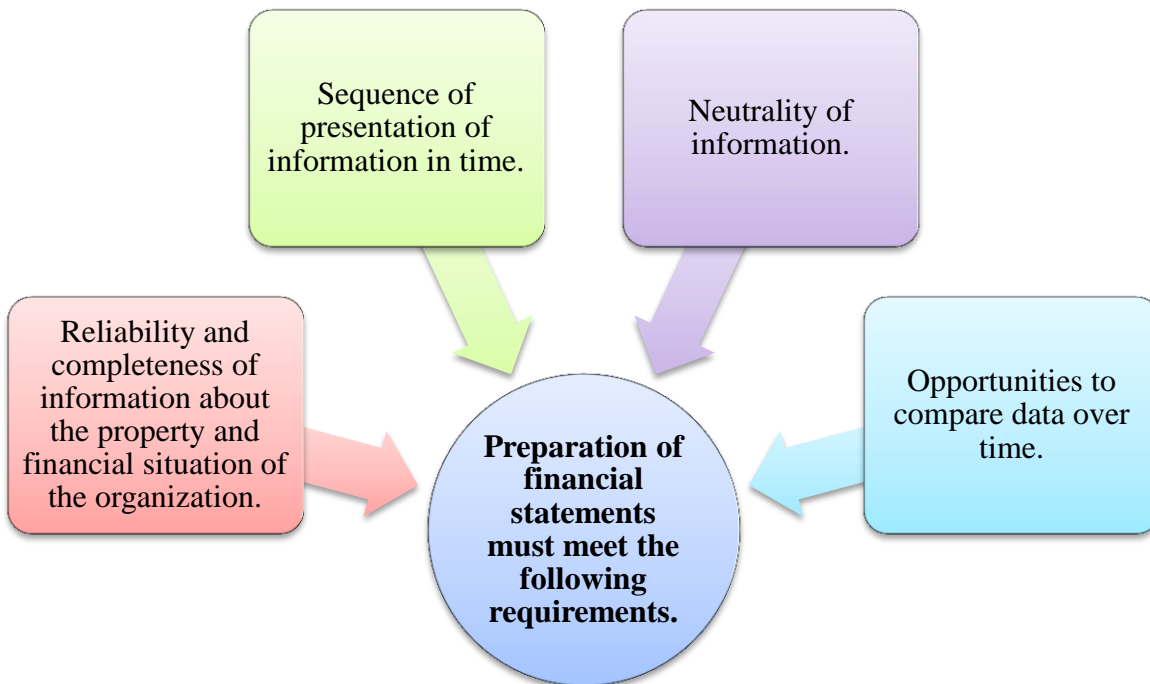
International accounting standards allow companies not only to reduce the costs of preparing their reports (especially in the context of consolidation of financial statements of enterprises operating in different countries), but also to reduce the costs of raising capital.

It is known that the market value of capital is determined by two main factors: prospective returns and risks. Some of the risks are indeed inherent in the companies' own activities, but there are also risks that arise due to a lack of information, a lack of accurate information about the return on investment. One of the reasons for the lack of information is the lack of standardized financial reporting, which, while preserving capital, actually increases it. This is because investors are willing to accept a slightly lower return knowing that disclosure reduces their risk.

Accounting regulation should be considered in terms of global accounting models:

- Continental model - regulation of accounting and its development is regulated by state legislation;
- British-American model - professional accountants (professional organizations of accountants and auditors) play the main role in developing and establishing standards and rules of accounting and reporting.

Preparation of financial statements must meet the following requirements:



1) Reliability and completeness of information about the property and financial situation of the organization. This means that financial statements must be prepared in accordance with the requirements set forth in regulatory documents;

2) Sequence of presentation of information in time. This means that the organization must follow consistently accepted accounting forms from one reporting period to another;

3) Neutrality of information. This means that reporting indicators should meet the interests of different user groups and not influence the decisions and evaluations of information users;

4) Opportunities to compare data over time. This means that the financial reporting forms chosen by the organization must provide at least two numerical indicators.

British-American model. The main principles in this model were introduced by Great Britain and the Netherlands. The main idea of the model is to focus accounting on the needs of investors and creditors. The model is used by the following countries: Australia, Bahamas, Barbados, Bermuda, Great Britain, Hong Kong, India, Indonesia, Canada, Kenya, USA, Mexico, Nigeria, Netherlands, etc.

Continental model. The main principles in this model were introduced by the developed countries of continental Europe and Japan. The main idea is to focus on meeting government requirements, in particular tax legislation. The model is used

by the following countries: Austria, Algeria, Belgium, Guinea, Greece, Egypt, Spain, Italy, Luxembourg, France, Germany, Switzerland, Sweden, Japan.

South American model. South American countries have added key principles to this model. The main idea of the model is focused on the needs of state planning bodies, including monitoring the implementation of tax policy and adjusting financial statements according to the level of inflation. The model is used by the following countries: Argentina, Bolivia, Brazil, Paraguay, Chile.

Let's see how these concepts are implemented in our country's legislation and accounting rules (standards). Timely submission of financial statements. These reporting deadlines are stricter than in other countries. But as for the accounting of the data itself and its reflection in the report, this principle has not been formulated and is not applied in the accounting of our country.

Importance. Financial statements should include all information that significantly affects the calculations and decisions of users.

Predictive value. The report is published despite the fact that it relates to past events and serves to evaluate performance.

Accuracy of information provided. Accounting practices should be disclosed in the notes to the financial statements, especially when changes in accounting policies may have a significant impact on the evaluation and decision-making of users of the financial statements.

Neutrality. Report data should be objective to different users. This principle is difficult to apply in practice, because the interests of the regulatory authorities prevail in reporting.

According to the results of the analysis, it can be concluded that the financial statements prepared in accordance with the rules of our country are still significantly different from the financial information prepared in accordance with international standards. These differences are based on a different understanding of a number of key elements of accounting. This, first of all, is related to the purposefulness of the report, explanation of its reliability, interpretation of assets-property, application of the calculation method, accuracy requirements, superiority of content over form and rationality, as well as the possibility of professional judgments (assessments) in the preparation of the report.

If we approach the reform in this way, the application of international standards is not a goal, but a means of changing the market, which is very important and effective. Reducing the entire reform to the use of international standards only limits the field of activity of experts and confuses users of financial statements.

The transition to the use of international standards should, of course, be a gradual and thoughtful process. The purpose of such a process is to consistently eliminate deficiencies and inconsistencies in the internal accounting system in accordance with the requirements of the market economy, without violating the integrity of this system. The impossibility of a quick transition to international standards is primarily due to the need to implement many measures to realize such a transition. In particular, it is necessary to make amendments to legal documents, first of all, to civil and tax legislation, as well as to revise almost the entire legal framework of accounting and reporting.

Given that international standards are only related to reporting, the country's accounting and reporting regulatory body should develop and issue detailed instructions on the introduction and application of new standards, including issues of accounting process organization. Tax authorities should review their approach to the use of accounting and reporting information, including significant changes to tax regulations.

Some institutional restructuring of the accounting and reporting regulatory system is necessary, including the formation of a body that can quickly respond to inquiries arising from practice and provide prompt clarifications on new standards. It is advisable to establish a special body to control the application of standards or control the quality of accounting.

The experience of other countries shows that it is possible to use any internationally recognized solution in the national standard, if this solution corresponds to the real situation existing in the country.

The use of international standards in our country should, first of all, consist in their active application in the creation of the concept of accounting in the conditions of a market economy, which should ensure a general comparison of accounting data created by our country and Asian companies.

In modern business conditions, financial reporting takes the status of the basis for establishing reliable relations between the organization and other market participants. The quality of the information presented in the financial report about the organization's activities affects the validity of management decisions made by all interested users. One of the main elements of reporting data is the organization's equity capital. In our opinion, "Presentation of financial statements" according to the purpose of financial statements, the capital ratio should show the results of management of resources entrusted to the management of the organization.

Based on the above analytical data, the following are the advantages and features of introducing financial statements according to international standards in our country.

Firstly, IFRS provide a common language for financial reporting, making it easier for investors and stakeholders to compare the financial performance of different organizations. They promote transparency and consistency in financial reporting, helping to reduce the risk of financial fraud and mismanagement. IFRS are regularly updated to keep pace with changes in the global economy, ensuring that financial statements remain relevant and meaningful.⁶⁵

Secondly, set of globally accepted accounting standards for financial reporting. Promotes transparency and consistency in financial reporting. Provides a common language for financial reporting, making it easier for comparison between different organizations. Requires accrual accounting and relevant disclosure of financial information. Allows for use of estimates and assumptions in financial reporting, but requires they be reasonable and supportable. Voluntarily adopted by many countries to enhance global competitiveness and investor confidence. Can be challenging to implement, but the long-term benefits are significant.⁶⁶

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⁶⁵ <https://www.linkedin.com/pulse/international-financial-reporting-standards-ifrs-ajmal-hafeez#:~:text=Benefits%20of%20IFRS%3A&text=They%20promote%20transparency%20and%20consistency,statement%20remain%20relevant%20and%20meaningful.>

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