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## Accounting process in the republic of Uzbekistan

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**Abstract**---Presently for shareholders and other users the financial statements are based on accounting principles and rules that are passed from country to country, in some cases only in one country. Thus, there may be a lack of comparability in the accounting reports. The disadvantage of this situation is that investment analysts and other users who use the financial report have to incur additional costs in the process of analyzing the report because it is structured according to different standards. They may also encounter confusion in the interpretation of reports. As a result of this process, effective competition in the global capital market will deteriorate, and companies will have to bear the high cost of maintaining capital. Most importantly, different amounts of profit for different countries can lead to a loss of confidence in the financial statements.

**Keywords**---procedure for harmonization, accounting standards, financial reporting, accounting system, management accounting.

## **Introduction**

The value of the accounting system is growing in the context of modernization, technical and technological re-equipment of the economic entities of Uzbekistan. At present, one of the most urgent problems of the economy is the reform of the country's accounting and reporting system in accordance with international requirements. According to the decree of the President of the Republic of Uzbekistan "On measures to introduce modern methods of corporate governance in joint-stock companies", the mandatory publication of financial statements prepared on the basis of international financial reporting standards (IFRS) is provided. The export-oriented economy of Uzbekistan intends to increase its penetration into foreign markets and be able to use concessional loans from foreign banks. To do this, it is necessary to introduce an international accounting and reporting system, which is the main condition for integration into the world economic community. IFRS is an international system of generally accepted principles for the preparation and presentation of financial statements that are widely used in many countries. For an investor, there is no fundamental difference in which country to invest their capital. The difference becomes noticeable when the investor is not sure about the effectiveness of the capital contribution. In order for financial reporting to be transparent and meet international requirements, the principles and rules set forth in IFRS should be observed.

These standards, first of all, are needed by those economic entities: - who need to attract foreign capital; - who already have partner or founding ties with foreign investors; - trying to enter international commodity markets with their products. Development and entry into international markets is carried out through the implementation of directions that contribute to economic development. The main direction of the development of the country's economy is the intensification of production and increasing its efficiency. Government decisions emphasize the need for a consistent improvement in economic management, taking into account the growing scale of production, the growing complexity of economic ties, the requirements of scientific and technological progress in order to maximize the use of the economic potential of the republic. A large role in solving these problems will be played by rationally organized accounting and reporting based on IFRS. In this regard, a reform is being carried out, which is aimed at improving the quality and efficiency of accounting, improving accounting documentation and reporting in all sectors in relation to modern requirements for management and analysis of economic activity with the effective use of these international financial reporting standards.

## **Methods of research**

As you know, accounting, being a system collection, processing and presentation of financial information to a wide range of users, plays a crucial role in the development of a market economy. In this regard, in our country, National

Accounting Standards are being developed and introduced, which are close to international financial reporting standards, taking into account the peculiarities of our economy. Thus, at this stage of reforming accounting, the problems of adopting and implementing new financial reporting standards in Uzbekistan and ways to solve them are very relevant. The goals of reforming accounting and reporting in the Republic of Uzbekistan include the following:

- creation of conditions for the introduction of a system of effective regulation of processes taking place in the economy of the republic; -approximation of the accounting system, as well as National Accounting Standards, to international financial reporting standards (IFRS); - timely identification of retrospective trends in the development of the economy based on the system for collecting, processing and transmitting information, forecasting and assessing the consequences of managerial decisions. The main measures to achieve the goals of reforming accounting and financial reporting consist of solving the following problems: reporting and bringing it in line with generally accepted world practice;
- formation of the NAS system and financial reporting, providing users with useful information of a financial nature;
- ensuring the relationship between the accounting reform and financial reporting with the main trends in the harmonization of standards at the international level;
- providing methodological assistance to business entities in understanding and implementation of a modernized model of the national accounting and financial reporting system that is closer to the requirements of IFRS; natural training and retraining of personnel in the field of accounting on the basis of a curriculum developed in accordance with the requirements of IFRS. The process of reforming the accounting and financial reporting system in Uzbekistan can be divided into three stages.

At the first stage (1992-1997) the following legal and regulatory acts on accounting were adopted and put into practice:

- In 1992, on January 1, a new chart of accounts was introduced in the Republic of Uzbekistan. This year, the Law "On Auditing Activities" was adopted;
- State program for the transition of the Republic of Uzbekistan to internationally accepted systems of accounting and statistics (approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 24.08.1994 No. 433);
- Regulations on accounting and reporting in the Republic of Uzbekistan (approved by the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated March 26, 1994 No164 approved by Resolution Ministry of Finance, the State Committee for Forecasting and Statistics and the State Tax Committee dated January 1, 1995);
- Law of the Republic of Uzbekistan "On Accounting", adopted by the Oliy Majlis of the Republic of Uzbekistan dated August 30, 1996;

Order of the Ministry of Finance of the Republic of Uzbekistan dated 15. 01.1997 No 5 "On approval of the forms and volume of annual and quarterly financial

statements of enterprises (organizations)” (reg. No 338 of 06.05.1997). previously existing accounting system. The second stage (1998-2001) was marked by the adoption and approval of the following important regulations:

- Conceptual basis for the preparation and presentation of financial statements (Registered by the Ministry of Justice on 14.08.1998 No 475, approved by the Ministry of Finance on 26.07.1998 No 17-07/86 );
- National Accounting Standards of the Republic of Uzbekistan (NAS) No 1 “Accounting Policy and Financial Reporting” - No 20 “On the Procedure for Simplified Accounting and Reporting by Small Business Entities”, except for NAS No 14 “Statement of Own Capital”, No 15 “Accounting balance”;

Regulations on the composition of costs for the production and sale of products (works, services) and on the procedure for the formation of financial results (approved by the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated February 5, 1999). Therefore, at the second stage, most of the National Accounting Standards are adopted accounting (NAS), as well as a very important legislative and regulatory act - Paul statement on the composition of costs for the production and sale of products (works, services) and on the procedure for the formation of financial results (No 54), which clarified many issues related to taxation, determining the financial result and preparing financial statements. Achievements of the third stage (since 2002 - to the present) are reduced to further improvement of the legislative framework for accounting and are represented by the following acts:

- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated June 25, 2002 No227 "On measures to further improve statistical and financial reporting";
- National accounting standards of the Republic of Uzbekistan (NAS): NAS No14 “Statement of Equity”, NAS No15 “Balance Sheet”, NAS No21 “Chart of Accounts for Financial and Economic Activities of Business Entities”, NAS No22 “Accounting for Assets and Liabilities Denominated in Foreign Currency ”, NSBU No23 “For financial reporting in the course of reorganization” and NAS No24 “Accounting for borrowing costs”;
- National Accounting Standards in the new version (NAS No4 Inventory, NAS No5 Fixed Assets, NAS No6 Lease Accounting, NAS No7 Intangible Assets);

Financial reporting forms and rules for filling them out ( approved by the Order of the Ministry of Finance No140 dated December 27, 2002, reg. Ministry of Justice No1209 dated January 24, 2003); registration and registration of powers of attorney, improvement of the form of documents and workflow, reflection in the accounting of shortages and surpluses of property, rental and leasing operations, foreign exchange operations, tax benefits, accounting in privatization and investment funds, accounting of give-and-take raw materials, and others. Thus, the third stage is characterized by further improving and reforming the already existing legislative framework for on accounting with the adoption of various Regulations on the accounting of individual objects. The third stage is continued by the adoption of the Law “On Accounting” in a new edition in 2016 on April 13, which differs in articles that regulate compliance with the principles of international requirements and ensure transparency of financial reporting. It

should be noted that the reforms of accounting and financial reporting carried out in our republic are not focused on direct borrowing and copying of international financial reporting standards (IFRS) by enterprises, but on the application of National Accounting Standards (NAS) adapted to the requirements of IFRS, taking into account the specifics of our economy. The key moment in the process of reforming the accounting and financial reporting system in Uzbekistan is the adoption, in addition to the existing ones, of new National Accounting Standards that are close to IFRS. In this regard, it should be noted some problems associated with the introduction of international financial reporting standards into the practice of Uzbekistan. These include:

- the absence of an official version of the translation of IFRS in Uzbek and Russian;
- the absence of an official status of financial statements prepared in accordance with IFRS;
- the poor development of the necessary infrastructure for the use and application of IFRS; transition to a system of accounting and financial reporting based on IFRS in connection with the existing specific features of the national economy;
- unreasonably high costs of economic entities for preparing financial statements in accordance with IFRS by transforming financial statements prepared in accordance with national accounting standards;

low level of professional training of a significant part of accountants, as well as insufficient skills in using information prepared in accordance with IFRS; reference materials on IFRS; The above issues were repeatedly considered at conferences and seminars organized by financial institutions and with the direct participation of specialists from the Ministry of Finance of the Republic of Uzbekistan.

## **Results**

The results of IFRS is solely for the preparation of financial statements. The transition of financial statements to IFRS is associated with a change in the list and assessment assets and liabilities. The calculation of taxes and fees is not included in the goals and objectives of accounting as per NAS and IFRS. Currently, work is underway to prepare a draft agreement between the Ministry of Finance and the IFRS Foundation on the assignment of the rights to claim IFRS documents in the state language. The main rules for the application of IFRS in the state language are set out in the draft resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On approval of the Regulations on the procedure for recognizing the texts of international financial reporting standards and explanations to them", which is being agreed with the interested ministries and departments.

## **Conclusion**

Consequently, the copyright for IFRS texts in all languages belongs to the IFRS Foundation, during negotiations with representatives of the Fund, the conditions for applying IFRS text in other languages in Uzbekistan will also be discussed. At

the legislative level, the conditions for the transition to IFRS have been created. The irreversibility of the process of transition to IFRS is due to the modern requirements of the business communities. A whole year is provided for preparation and transition to IFRS. Thus, 2021 is a transitional period when it is advisable for enterprises to thoroughly prepare for the application IFRS: assess the tax implications of the transition, develop an accounting policy, analyze compliance of IT systems with the requirements for preparing financial statements in accordance with IFRS, as well as assessing the readiness of the business to change the preparation of financial statements in accordance with the requirements of IFRS.

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