

## **Prospects for the Implementation of IFRS in Medium and Small Businesses in Uzbekistan**

**Sativaldieva Dono Abdurakhmanovna**

*Associate Professor of the Department of Accounting, TSUE*

**Abstract:** This article discusses the implementation of the international financial reporting standard in medium and small businesses in Uzbekistan. Indeed, today IFRS is recognized throughout the world as an effective tool for providing transparent and objective information on the activities of not only large enterprises, but medium and small businesses.

**Keywords:** foreign investors, medium and small businesses, IFRS, financial condition, analysis, innovative approach, road map, financial reporting.

**Introduction.** One of the most important tasks in the conditions of market relations in the Republic of Uzbekistan is to create conditions for foreign investors and intensify foreign economic activity.

Creating favorable conditions for foreign investors in the development and implementation of investments and the formation of investment resources is one of the important issues. This, in turn, increases the demand of investors and lenders for information about the organization that is a potential investment target.

In global practice, investors trust information from corporate reporting prepared in accordance with international financial reporting standards, since these standards help to prepare financial statements that objectively reflect the financial condition of a business entity and the results of its activities.

Therefore, attracting foreign investment, as well as entering international capital markets, in turn, requires business entities of the Republic of Uzbekistan to prepare reporting information in accordance with International Financial Reporting Standards (IFRS). Indeed, today it is IFRS that is recognized throughout the world as an effective tool for providing transparent and objective information about the activities of an enterprise.

**Research methodology.** The article widely uses methods of comparison, analysis and synthesis, induction and deduction, grouping and analysis.

**Analysis and results.** Steps for the transition of economic entities of the Republic of Uzbekistan to international reporting practices were taken with the adoption of Resolution of the President of the Republic of Uzbekistan No. PP-4611 dated February 24, 2020 "On additional measures for the transition to international financial reporting standards". The purpose of the Resolution was to ensure wider implementation of IFRS in the accounting system of joint-stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers in order to provide foreign investors with a transparent information environment and expand their access to international markets.

According to this resolution, a “Road Map” was approved for the phased implementation of international financial reporting standards and modern methods of training personnel in this area, taking into account best international practices. The “Road Map” addressed issues of systematization and improving the effectiveness of the process of implementing IFRS, an event to improve the training system and improve the quality of higher education in the areas of accounting and auditing, and an even to clarify the meaning and content of IFRS.

In this regard, today it is planned to connect medium-sized businesses and other enterprises to IFRS. It remains to be determined who will be required to apply IFRS in 2024 and who will remain within the scope of the National Accounting Standard.

On November 10, 2022, No. 61, the Order of the Minister of Finance “On the recognition of the text of international financial reporting standards and explanations for its application in the territory of the Republic of Uzbekistan” was adopted, introducing more than 60 IFRS (IFRS, IAS) and the texts of explanations to them. At the same time, practice accountants, auditors, tax specialists, specialists, economists and other analysts of Uzbekistan began preparing a new edition of the law “On Accounting”. The main goal is to harmonize the current accounting system, the Tax Code, and link it with the application and expansion of the scope of IFRS.

The question arises why we want to adopt a new law “On Accounting”, since the current one was adopted relatively recently. Answering this question, we can say that we plan to create a two-tier system of financial reporting standards. The new version of the law will specify which enterprises will remain on NAS, and for which the transition to IFRS will be mandatory.

The new legislation provides for maintaining in a single database both regulated management, accounting and tax accounting, and accounting in accordance with IFRS. When posting primary documents, it is planned to generate transactions according to the IFRS chart of accounts without the double work of an accountant. Maintaining parallel accounting of non-current assets will also be carried out in accordance with IFRS.

Currently, a unified National Financial Reporting Standard based on IFRS is being developed for medium and small businesses. At the same time, the Ministry of Finance of the Republic of Uzbekistan is responsible for the implementation of IFRS, which is entrusted with the responsibilities for taking the following measures:

- together with the State Tax Committee, the Market Development Agency and the State Asset Management Agency, observe, control and analyze the process of implementing IFRS;
- organize and assist in the organization of educational courses to improve qualifications in the field of auditing and accounting;
- interact with the IFRS Foundation to translate the texts of the standards and explanations to them into the Uzbek language.

There are two main ways to transition to IFRS.

Classic project implementation is optimal for large companies that have been existing on the market for a long time, in which it is necessary to think through and develop a methodology, create an accounting policy, adapt it to IFRS standards, legal requirements for them, and equate them to the capabilities of the software product.

This is a path that takes a certain time, consisting of stages:

- ✓ express audit;
- ✓ modeling and design;
- ✓ development, including testing and acceptance tests;
- ✓ setting up and debugging processes in the system;

- ✓ preparation for pilot industrial operation;
- ✓ operation, user training, system development and support.

In the coming years, medium and small businesses will also begin to report according to IFRS, and a different approach has been developed for them - consulting implementation. It allows you to implement the main points related to legal requirements and IFRS in a few months. As part of the consultation implementation, the following work will be carried out:

- ✓ regular consultations for several hours;
- ✓ status meetings based on the results of the week's work;
- ✓ analysis and registration of meetings held;
- ✓ analysis of documentation provided by the customer.

**Table 1. Sections of project implementation of IFRS in medium and small businesses**

1. IFRS chart of accounts, chart of accounts analytics, accounting policies and their settings in the system	9. Borrowing costs
2. Methodological description of the differences between IFRS and NAS	10. Rent
3. Mechanisms for closing accounts	11. Financial instruments
4. Mechanisms for obtaining data	12. Impairment of assets
5. Fixed assets	13. Estimated and contingent liabilities, contingent assets
6. Intangible assets	14. Taxes
7. Stocks	15. Reporting
8. Revenue from contracts with customers	16. Preparation for pilot-industrial operation, its support and system setup

Mechanisms can be implemented in the form of transformation or parallel accounting. Both options have been developed and can be used in a standard version of the software product. The choice of mechanism occurs in agreement with the customer based on the greatest relevance in a specific implementation project.

As a conclusion, we can say that the introduction of accounting and the preparation of financial statements in accordance with IFRS improves the image of not only large companies, but also medium and small businesses in Uzbekistan, facilitates their entry into global capital markets, and also makes management decisions more quickly, as they provide more transparent and structured information.

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