

## **Revaluation of Fixed Assets in Accordance With IFRS: Analysis and Prospects for Uzbekistan**

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**Abstract.** *The article is devoted to the analysis of the process of transition of Uzbek companies to International Financial Reporting Standards (IFRS), with special attention to the aspect of revaluation of fixed assets in accordance with IAS 16. It examines how changes in accounting standards affect the quality and transparency of financial reporting, which is critical for integration of Uzbek enterprises into the world economy. The work examines both technical and organizational challenges, as well as the opportunities that open up for companies in the light of the transition to IFRS. Particular attention is paid to the need to train and develop professional competencies of employees in the field of IFRS.*

**Keywords:** *IFRS, IAS 16, revaluation of fixed assets, financial reporting, Uzbekistan, international standards, training of accountants, accounting policies, transformation of financial systems, investment attractiveness.*

### **Introduction**

In the context of the globalization of the economy and the strengthening of integration processes, the standardization of financial reporting comes to the fore as a necessary condition for the successful international activities of enterprises. The transition to international financial reporting standards (IFRS) is an important step towards universalization and simplification of mutual understanding of economic realities between countries and investors around the world. This is especially true for countries with economies in transition, such as Uzbekistan, where national accounting standards (NAS) are gradually being adapted to the requirements of the global market.

One of the key aspects in adapting standards is the revaluation of fixed assets, which allows not only to correctly reflect their real value on the enterprise's balance sheet, but also ensures the transparency of financial transactions. Revaluation of fixed assets in the context of IFRS, especially IAS 16, provides enterprises with a methodological basis for adequately reflecting the value of assets, which is an integral part of fair and open financial reporting.

The purpose of this article is to analyze the process of transition to IFRS when revaluing fixed assets in Uzbekistan, to identify the main challenges and prospects that it poses for Uzbek companies. The article is based on an analysis of current research and publications, considering changes in the legislative and practical planes associated with the transition to international standards. Particular attention is paid to the analysis of the literature presented in the initial articles, including aspects of the problems and innovative approaches to auditing and accounting for fixed assets in the context of IFRS, and also discusses current approaches in Uzbekistan to accounting for fixed assets according to NAS.

### **Literature review**

An analysis of existing research and publications on the revaluation of fixed assets and the implementation of IFRS reveals deep interest in this topic, especially in the context of countries with

transition economies such as Uzbekistan. The works of such authors as G.M. Rakhimova discuss key aspects of accounting and auditing of fixed assets, emphasizing the importance of accurately reflecting the value of assets to ensure the transparency of financial reporting. Experts highlight a number of problems associated with the adaptation of national standards to IFRS, including the need to update the legislative framework and improve the qualifications of accountants.

Research shows that many Uzbek enterprises face difficulties in transitioning to IFRS, which is due to the lack of a unified methodology for the revaluation and depreciation of fixed assets. In the article by Khatamov K.Kh. highlights the role of innovative approaches in accounting and auditing, such as the use of artificial intelligence and blockchain technologies, which can help improve data accuracy and reduce the human factor in accounting errors.

Additional analysis of the literature highlights that the transition to IFRS requires not only changes in accounting systems, but also deep cultural adaptation within organizations. For example, Kudbiev D. explores the methodological basis for leasing fixed assets and their accounting, which is also relevant when revaluing and accounting for fixed assets under IFRS. This study shows how important it is to take industry and market specifics into account when applying international standards in local contexts.

The general conclusion from the literature analysis is that a successful transition to IFRS is associated with an integrated approach, including legislative initiatives, educational programs for specialists and the integration of modern technologies into accounting processes. All this should help improve the quality and transparency of financial reporting at the international level.

### **Review of national accounting standards (NAS) governing the accounting of fixed assets**

In Uzbekistan, the basic standards governing the accounting of fixed assets are enshrined in a number of regulatory documents, the most significant of which is NAS 6 “Fixed Assets”. This standard defines the rules for the recognition, measurement, depreciation and disposal of fixed assets, as well as their classification and accounting.

**Recognition and initial assessment.** According to NAS, fixed assets are recognized as assets if they are expected to generate economic benefits in the future and their value can be reliably measured. The initial cost of fixed assets includes all costs directly related to their acquisition and preparation for use. This includes the purchase price, import duties, directly related transportation costs and installation and installation costs.

**Depreciation.** Depreciation of fixed assets begins from the moment they are put into operation and is distributed evenly over the useful life of the asset. Depreciation methods, such as straight-line, declining balance, or industrial, should be selected based on how the assets convey economic benefits to the organization.

**Revaluation and impairment.** NAS also provides for the possibility of revaluing fixed assets, which allows you to adjust the book value of assets in accordance with their current market value. This is especially true in times of high inflation or significant changes in asset values. Revaluations must be carried out regularly to ensure that the financial statements reflect the real state of affairs.

**Disposal and write-off.** Property, plant and equipment may be written off if it is sold, liquidated, or is no longer expected to provide economic benefits. Any gain or loss on the disposal of property, plant and equipment is recognized in the income statement in the period in which it occurs.

The transition to IFRS in the context of the revaluation of fixed assets requires Uzbek companies to reconsider many of these approaches. IFRS offers more flexible and internationally accepted accounting methods, which can improve the quality and comparability of financial reporting. Such adaptation is necessary not only for internal accounting needs, but also to increase the attractiveness of companies on international capital markets.

Accounting and revaluation of fixed assets according to national standards in Uzbekistan faces a number of problems, including a lack of uniformity in methods for valuing and revaluing assets. Such differences may result in significant misstatements in financial statements, particularly in times of

economic uncertainty and inflation when the market value of assets may fluctuate significantly. The NAS provides for the possibility of revaluation, but in practice this process is not always carried out systematically, which does not allow it to reflect the real state of affairs accurately and in a timely manner. In addition, the limited use of modern technologies and techniques in accounting reduces the efficiency of the fixed asset accounting process, making it vulnerable to error and manipulation. These factors complicate the process of adapting accounting standards to international requirements and can undermine the credibility of financial reporting in the international arena.

### **IAS 16 and requirements for revaluation of property, plant and equipment**

IAS 16 Property, Plant and Equipment is the key standard governing the accounting of property, plant and equipment at the international level. This standard provides detailed guidance on accounting for the acquisition, use and disposal of property, plant and equipment, thereby ensuring transparency and comparability of the financial statements of different companies.

**Recognition and initial assessment.** According to IAS 16, an asset should be recognized in the balance sheet when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably. Initially, a fixed asset is measured at cost, including the costs of acquiring and bringing the asset to a state ready for use.

**Depreciation.** IAS 16 requires systematic depreciation over the useful life of the asset. The useful life, depreciation method and residual value of assets should be reviewed at least annually. Any changes in these estimates are reflected as changes in accounting estimates in accordance with the requirements of IAS 8 Accounting Estimates, Changes in Accounting Estimates and Errors.

**Revaluation of fixed assets .** One of the most significant aspects of IAS 16 is the revaluation policy. The standard permits, but does not require, entities to periodically revalue their property, plant and equipment so that their carrying amount reflects fair value at the balance sheet date. If an entity chooses a revaluation policy, it must apply it to all assets in a given category to ensure consistency and comparability of reporting.

When a revaluation occurs, the increase in the value of an asset is usually reflected directly in equity under the heading of a revaluation reserve. However, any increase must first offset any decrease in the value of the same asset that was previously expensed. If a revaluation results in a decrease in the value of an asset, the loss is recognized in the income statement unless the decrease offsets a previous increase in the same revaluation that was included in the revaluation reserve.

**Disposal and write-off.** IAS 16 also regulates the disposal and write-off of property, plant and equipment by requiring that a gain or loss on the disposal of assets be included in the income statement, measured as the difference between the proceeds from sale and the carrying amount of the asset at the time of disposal. This helps ensure that a company's financial position is accurately and fairly reflected in its financial statements.

The transition to IFRS, especially IAS 16, requires companies not only to review and adapt their accounting systems, but also to deeply understand the nuances of international standards. This includes adaptation to requirements for revaluation, depreciation and write-off of assets, which provides greater transparency and comparability with international practices, thereby increasing the company's credibility and attractiveness to international investors and partners.

For a clear comparison between IFRS (IAS 16) and NAS in terms of accounting for fixed assets, we present the main differences in table form:

**Table 1. Comparison of IFRS and NAS in terms of accounting for fixed assets**

<b>Criterion</b>	<b>IFRS (IAS 16)</b>	<b>NAS</b>
<b>Asset recognition</b>	Assets are recognized when it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably.	Assets are recognized when future economic benefits exist and value can be measured reliably.
<b>Initial cost</b>	Includes the purchase price, direct costs	Includes similar costs, but practices

	of delivery and installation, and the initial costs of bringing the asset to a ready-for-use condition.	and cost breakdowns may vary depending on national regulations.
<b>Depreciation</b>	Depreciation is calculated systematically over the useful life of the asset. Depreciation methods should reflect the pattern of consumption of the benefits of the asset.	Depreciation is also calculated over the useful life, but the methods and frequency of revision of the residual value and useful life may vary.
<b>Revaluation</b>	Revaluation of fixed assets to reflect their fair value is permitted. Revaluation should be carried out regularly for the entire category of assets.	Reassessment is possible, but not always regular, and its application may be less rigorous in terms of regularity and universality of application.
<b>Asset disposal</b>	Gain or loss on the disposal of assets is recognized in the income statement, which includes the difference between the proceeds from sale and the carrying amount.	The approaches are similar, but the specifics of accounting and reporting financial results may vary depending on local rules.
<b>Impairment of assets</b>	Assets are required to be regularly reviewed for impairment if there is an indication that their carrying amount does not reflect recoverable amounts.	Procedures for impairment of assets may be less formalized and often depend on specific provisions of national legislation.

This comparison shows that although the basic principles of accounting for property, plant and equipment in IFRS and NAS are similar in terms of recognition, cost and depreciation, there are significant differences in the approaches to revaluation, impairment and frequency of auditing of assets. IFRS provides a more rigorous and systematic approach to the revaluation and impairment of assets, which promotes greater transparency and comparability of financial reporting internationally. This is especially important for companies seeking to attract foreign investment or operate in international markets.

The transition to IFRS in Uzbekistan requires local companies not only to adapt their accounting systems, but also to change the corporate culture associated with financial reporting. For successful adaptation, it is necessary to provide education and training for specialists who can work effectively in accordance with international standards, as well as conduct a comprehensive audit and adaptation of existing accounting procedures.

### **Benefits of switching to IFRS**

The transition to International Financial Reporting Standards (IFRS) represents a significant step forward for Uzbek companies seeking to integrate into the global economy. This process has a number of key benefits that can significantly improve financial transparency and improve the investment attractiveness of companies.

*Improving the quality and transparency of financial reporting:* IFRS aims to ensure a high degree of transparency and comparability of financial statements. The transition to these standards helps Uzbek companies bring their financial documents into compliance with international requirements, which is extremely important for investors and partners abroad. It also helps to more accurately reflect economic reality, increasing the company's credibility.

*Expanding opportunities for international financing and investment:* Compliance with international standards simplifies the process of attracting external financing. Investors and credit institutions often require statements prepared in accordance with IFRS to assess financial condition and risks. Thus, Uzbek companies gain access to a wider range of financial instruments and international capital markets.

*Compliance with international regulatory requirements:* IFRS also helps companies comply with

international regulatory requirements, which is critical for conducting business on a global stage. This compliance opens up new opportunities for exports and international cooperation, strengthening the position of Uzbek companies as reliable international partners.

*Improving internal processes and increasing management efficiency:* The process of adaptation to IFRS is often accompanied by the modernization of internal accounting and auditing processes. This includes the introduction of modern information systems, staff training and review of management practices. Such changes can lead to improved overall management efficiency, better control of assets and more informed management decisions.

*Formation of a unified corporate culture:* The transition to IFRS supports the formation of a unified corporate culture based on transparency, responsibility and international best practices. This helps strengthen corporate discipline, increase trust among employees and partners, and improve corporate governance.

In general, the transition to IFRS for Uzbek companies opens the door to international business, facilitates access to global financial resources and enhances integration into the world economy. These benefits make this transition not only desirable, but also a strategic development step for companies seeking to expand their international operations and strengthen their competitive position in the global marketplace.

### **Problems and challenges**

The transition to IFRS is a complex organizational and technical process that requires significant changes in the accounting and reporting system of companies. One of the main difficulties is the need to adapt existing accounting programs and information systems to new standards. This includes revision and reconfiguration of the software, which can be accompanied by technical difficulties and requires investment in IT infrastructure. In addition, changing accounting policies in accordance with IFRS will require a revaluation of assets and liabilities, which may lead to significant fluctuations in the financial condition of the company, especially if less stringent national standards were previously used. These changes may impact a company's financial performance, credit rating and relationships with investors and lenders, requiring careful planning and risk management.

The second significant problem is the need to train and improve the qualifications of personnel who must work according to new standards. IFRS differ significantly from many national standards in complexity and approaches to accounting, which requires deep understanding and new knowledge from accountants and financial analysts. The lack of qualified specialists in this area can become a serious barrier to the effective transition to international standards. Companies need to organize training courses, seminars and trainings, which entails additional costs and time. In addition to internal training, companies may be faced with the need to engage external consultants and specialists, which increases the financial burden of the onboarding process. In the long term, however, investing in education and workforce development can bring significant benefits, strengthening a company's professionalism and international competitiveness.

### **Conclusion**

The transition to International Financial Reporting Standards (IFRS) is an important step for Uzbek companies seeking to expand their presence in international markets and attract foreign investment. This process not only improves the quality and transparency of financial reporting, making it understandable and comparable for international investors, but also contributes to more efficient company management through the implementation of best financial accounting practices.

However, the transition to IFRS is associated with a number of challenges, including organizational and technical difficulties, the need to update IT systems and software, as well as the need for training and human resource development. Successful adaptation to IFRS requires significant initial investment and careful planning, but in the long term it promises significant benefits in the form of improved financial stability, increased investor confidence and strengthened international partnerships.

It is important that companies, when deciding to switch to IFRS, understand all aspects of this



process and systematically approach solving emerging problems. Government support in the form of incentives and educational programs, as well as cooperation with professional consultants and auditors, can greatly facilitate this process and contribute to a smoother integration of international standards into the Uzbek business landscape.

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