

## **Organizational and Methodological Issues of Transition to the International Financial Reporting Standard IAS 41 - "Agriculture"**

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**Abstract.** *The article discusses the organizational and methodological aspects of the implementation of the international financial reporting standard IAS 41 "Agriculture" in Uzbekistan. Special attention is paid to the analysis of the current state of accounting in the agricultural sector, the identification of problems related to the transition to international standards, as well as proposals for solving these problems agricultural enterprises, will improve the management of biological assets and open up new opportunities for attracting investment and developing the agricultural sector. The article also highlights the need to update the regulatory framework, introduce digital solutions and improve the skills of accountants to successfully adapt to international standards.*

**Keywords:** *IAS 41, Agriculture, International Financial Reporting Standards, Biological Assets, Transparency of Financial Statements, Uzbekistan, Accounting, Investment Attraction.*

### **Introduction**

Current trends in globalization and integration require countries to actively implement International Financial Reporting Standards (IFRS) to ensure the transparency and comparability of financial information. One of the key standards affecting agriculture is IAS 41 Agriculture, which sets out the rules for accounting for biological assets and agricultural products.

In the context of increasing attention to the agricultural sector of Uzbekistan, the implementation of IAS 41 is an important step to improve the transparency and efficiency of accounting. This standard offers approaches to take into account the characteristics of biological assets, such as changes in their value as a result of biological transformations, which is critical for agricultural enterprises.

However, in Uzbekistan, accounting in the agricultural sector is still largely based on national standards, which do not always meet the requirements of international practices. This creates certain difficulties for international cooperation and attracting investment, since the national accounting system does not sufficiently take into account the dynamics of changes in the value of biological assets and the results of their use.

The transition to IAS 41 requires a detailed analysis of the current accounting system, the identification of barriers and the development of organizational and methodological approaches that will allow international practices to be adapted to local conditions. This process involves not only regulatory changes, but also the introduction of new technologies and advanced training of specialists.

Accounting in agriculture in Uzbekistan is based on the national regulatory framework, which includes the NAS-4 and NAS-5 standards. These documents regulate the accounting of current and long-term biological assets, applying valuation methods based on cost or net realizable value. However, the current accounting system is often focused on static cost fixing, which limits the ability

to analyze and manage assets in a dynamically developing market.

Particular attention is paid to the national standard NAS-4 "Stockpiles", which applies to biological assets until they reach maturity. At this stage, they are considered as ordinary stocks, which excludes the possibility of taking into account their value changing as a result of biological transformations. After maturity, assets are transferred to the regulation of NAS-5 "Property, Plant and Equipment", where their accounting continues using historical cost or revaluation based on prescribed ratios. This approach does not take into account market changes that can significantly affect the real value of assets.

Insufficient attention is paid to the disclosure of information in the financial statements. The national system does not require the reporting of profits or losses arising from biological changes. This makes it difficult to assess the economic efficiency of agricultural enterprises and their financial sustainability, especially in the context of attracting investment.

Accounting difficulties are compounded by the lack of data on the market prices of biological assets, which makes it impossible to accurately determine their fair value. In addition, businesses often face a lack of digital tools that could automate accounting processes and simplify information collection. This, in turn, complicates adaptation to international requirements and increases the risk of errors. The existing accounting system in the agricultural sector needs to be reformed to improve its compliance with modern requirements. The next step in the analysis is to examine the barriers that may arise in the transition to IAS 41 and the opportunities to overcome them.

### **IAS 41 Migration Challenges**

The process of transition to IAS 41 in Uzbekistan faces a number of significant challenges that cover regulatory, methodological and infrastructural aspects. These barriers slow down the implementation of international standards and create risks of non-compliance with the requirements of the global market.

Regulatory obstacles are associated with the imperfection of the existing legislative framework. Current national standards, such as NAS-4 and NAS-5, not only differ significantly from IAS 41, but also limit the ability to account for the fair value of biological assets. The lack of clear regulation of accounting for profits or losses arising from biological transformations reduces the informative value of financial statements. These discrepancies require the revision of regulations and the development of additional methodological recommendations, which involves significant time and resource costs.

Methodological difficulties are largely related to the new approach to asset valuation laid down in IAS 41. The application of the fair value method, which is the main one for the international standard, requires not only a correct assessment of market data, but also a constant revision of the value of assets at reporting dates. In Uzbekistan, the availability of market information on the value of biological assets is extremely limited. Moreover, accountants working in the agricultural sector often do not have the necessary experience and knowledge to use this methodology. This leads to the risks of incorrect assessment, which may affect the financial statements of enterprises.

Another significant obstacle is the lack of infrastructure development. Most agricultural enterprises in Uzbekistan do not have modern information systems for accounting automation. This makes it difficult to implement new standards, as it requires significant investment in the digitalization of processes. In addition, the lack of specialized software adapted to the requirements of IAS 41 increases the likelihood of errors in accounting.

In addition, the transition to IAS 41 requires extensive training and retraining. At present, many specialists continue to work on the basis of outdated standards and approaches. This creates barriers to understanding new principles, such as accounting for biological transformations or determining fair value. Without a comprehensive approach to training, the adaptation of IAS 41 will be significantly complicated.

Overcoming these obstacles will require a systematic approach, including regulatory reform, the introduction of modern technologies and the development of human resources. These measures will help remove existing barriers and prepare businesses for an effective transition. The next section will

offer specific steps and recommendations for the successful implementation of this task.

### **Methodology for implementing IAS 41 in Uzbekistan**

For a successful transition to IAS 41 Agriculture in Uzbekistan, it is necessary to develop a coherent action plan that covers all aspects of accounting reform in the agricultural sector. This process requires not only regulatory changes, but also the creation of a stable methodological base, personnel training and the introduction of modern technologies.

The first stage should be to analyze the current accounting system and identify the main discrepancies with the requirements of IAS 41. This will identify key areas for reform, including changing approaches to the recognition and valuation of biological assets. For example, accounting needs to be adapted to the use of the fair value method, which is central to IAS 41. To do this, it is necessary to develop a methodology for assessing the market value of assets, based on local conditions, using data on prices for agricultural goods and services.

The next step is to amend the legislative and regulatory framework. This includes updating the existing NAS-4 and NAS-5 standards or replacing them with a dedicated standard for biological asset accounting harmonized with IAS 41. It is also necessary to amend the Law on Accounting and related by-laws to ensure that biological transformations are accounted for and disclosed in the financial statements are mandatory.

Along with regulatory changes, it is important to implement digital solutions to automate accounting processes. The use of specialized software adapted to the requirements of IAS 41 will help minimize errors and simplify the maintenance of biological asset records. Governments can play an important role in this process by providing subsidies for the adoption of technology or by creating centralized platforms to assess the market value of assets.

A key element of the implementation methodology is the development of human capital. This includes the creation of training and retraining programs for accountants specializing in the agricultural sector. Such programs should cover both the theoretical foundations of IAS 41 and the practical aspects of its application. It is recommended to involve international experts and to organize an exchange of experience with other countries that have already successfully implemented the standard.

An equally important step is the establishment of a system for monitoring and supporting the transition process. Regular audits of the implementation of IAS 41 in enterprises will help to identify problems and make adjustments quickly. It is also recommended to create consulting centers where enterprises can receive methodological assistance on accounting issues.

The implementation of all these measures requires an integrated approach and close interaction between government agencies, business and educational institutions. Successful implementation of IAS 41 will open up new opportunities for the agricultural sector of Uzbekistan, increase its investment attractiveness and competitiveness. The next section will look at the expected results and benefits of this transition.

### **Expected results and benefits of implementing IAS 41**

The implementation of IAS 41 "Agriculture" in Uzbekistan will open up new prospects for the development of the agricultural sector, increasing its transparency, efficiency and competitiveness. One of the key expected results is the improvement of the quality of financial reporting, which will create the basis for a more reliable analysis of the economic activities of enterprises and attracting investments.

Agriculture, as one of the main sectors of the country's economy, benefits from the introduction of an accounting system that takes into account biological transformations and the dynamics of asset values. The use of the fair value method will allow agricultural enterprises to more accurately reflect changes in the value of biological assets in their financial statements. This will increase the confidence of external users of financial information, including investors, creditors and international organizations.

With the transition to IAS 41, enterprises will have access to new sources of financing. Transparent and comparable reporting will facilitate the process of obtaining loans and attracting foreign investment. This is especially true for agricultural clusters, which require significant investments to modernize infrastructure and increase production volumes.

Another important benefit is the improved management of internal processes. Financial statements that comply with IAS 41 will provide agricultural managers with more accurate data for making management decisions. This, in turn, will optimize the use of resources, reduce costs and increase the profitability of production.

At the macroeconomic level, the implementation of IAS 41 will strengthen Uzbekistan's position in the international economy. Compliance of reporting with international standards will increase the country's prestige as a reliable partner in the field of agribusiness. In addition, it will contribute to the development of export potential, especially in the segment of organic products and environmentally friendly goods, where a high level of reporting transparency is required.

At the same time, there will be an incentive to digitize and modernize accounting systems, which will improve the overall efficiency of accounting. Creating a single digital platform to assess the market value of biological assets can speed up the transition process and reduce costs for businesses. The implementation of IAS 41 will be an important step towards modernizing the agricultural sector of Uzbekistan, ensuring its sustainable growth and integration into the global economy. These changes lay the foundation for further development, which makes the transition to international standards not only necessary, but also strategically important for the country.

## **Conclusion**

The transition to IAS 41 Agriculture is an important step to improve the transparency, efficiency and competitiveness of Uzbekistan's agricultural sector. The implementation of this standard opens up new opportunities for agricultural enterprises, ensuring their compliance with international requirements and simplifying their integration into global markets.

The analysis showed that the existing accounting system in the agricultural sector needs significant reform. Key obstacles include regulatory and methodological discrepancies, lack of data to measure the fair value of assets, limited automation capabilities and inadequate training. A successful transition will require a comprehensive approach, including regulatory renewal, digitalization, and human capital development.

The expected results of the transition include improved financial reporting, increased confidence from international investors, improved resource management and increased export potential. These changes will contribute to the development of the agricultural sector as a key sector of the country's economy and strengthen Uzbekistan's position on the world stage.

The importance of this step goes beyond one industry, as the implementation of IAS 41 will be part of the overall strategy for the modernization of accounting in Uzbekistan. This will allow not only to adapt to modern challenges, but also to create conditions for sustainable economic growth and competitiveness of the country in the long term.

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