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## STAGES OF TRANSFORMATION OF FINANCIAL STATEMENTS TO INTERNATIONAL STANDARDS OF FINANCIAL REPORTING

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**Abstract:** This article describes the stages of transformation of financial reporting forms compiled from national accounting standards to international financial reporting standards.

**Keywords:** financial statements, national accounting standards, international financial reporting standards, transformation, full transformation, combined method

### Introduction

In recent years, in order to increase the investment attractiveness of our country, a number of priority tasks have been defined, road maps for them have been developed and are being implemented step by step.

In his address to the Oliy Majlis, the President of the country, Sh. Mirziyoev, said, "The volume of investments in cooperation with the World Bank, the European Bank for Reconstruction and Development, the Islamic and Asian Development Banks, and other international financial institutions amounted to 8.5 billion dollars. Today, 456 projects worth 23 billion dollars are being implemented in our country at the expense of foreign investments"<sup>1</sup>.

In fact, the increase in the flow of investments is due to the fact that the financial statements prepared and presented by the economic entities operating in our country and the information contained in them. Ensuring transparency and presenting them based on international standards of financial accounting are among the most urgent tasks.

Presidential Decree PF-4720 "On measures to introduce modern corporate management methods in joint-stock companies" adopted on April 24, 2015 is a regulatory document that regulates the preparation and publication of financial statements by economic entities in our country based on international standards of financial reporting. In accordance with this decree, in 2015-2018, all joint-stock companies are required to publish an annual financial report and conduct an external audit in accordance with International Auditing Standards and International Financial Reporting Standards.

Currently, many business entities in the world community prepare reports in accordance with international standards. The use of international standards helps ensure uniformity of financial statements prepared and presented in different parts of the world. The essence of the use of international standards is to ensure compliance of the accounting system in different countries with the principles of international standards of financial reporting (International Standards of Financial Reporting) ISFR).

### Analysis of literature on the topic

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<sup>1</sup> Ўзбекистон Республикаси Президенти Шавкат Мирзиёевнинг Олий Мажлисга Мурожаатномаси <http://uza.uz/oz/politics/zbekiston-respublikasi-prezidenti-shavkat-mirziyevning-oliyasy-28-12-2018>

M.R. Matthews, P. Ainsworth, K. D. Larson, R. Libby, R. H. Hermanson, R. Anthony, B. Needles, F. Wood, V. P. Astakhov, V. Kachalin from foreign economists, M.I.Kuter, V.F.Paliy, Ya.V.Sokolov, V.I.Tkach, V.G. Getman, and other scientists studied the theoretical conceptual foundations of financial reporting.

Research on financial reporting issues has been carried out and scientific articles, monographs and textbooks have been published. Among them, K. B. Akhmedyanov, A. K. Ibragimov, Sh. I. Ilkhamov, I. N. Ismanov, B. I. Isroilov, A. A. Karimov, B. Yu. Maksudov, S. U. Mehmonov . It is possible to include the researches of A. Khasanov, K.R. Khotamov, R.O. Kholbekov, Z.N. Kurbanov, I.N. Koziyev and others.

### **Research methodology**

Methods such as observation, generalization, grouping, comparison, induction, deduction were used in the research work.

### **Analysis and results**

The main standard that regulates the formation of financial statements based on international standards is National Accounting Standards (NAS) No. 1 entitled "Presentation of Financial Statements". Determines the criteria for compliance with the provisions of this standard, as well as determines the requirements for importance, continuity of activity.

indicates mandatory components of financial statements and presentation procedure. The standard contains proposals for the preparation of each of the main reporting forms, and defines general requirements for defining and evaluating reporting elements.

Paragraph 8 of National Accounting Standards (NAS) No. 1 sets out the full set of financial statements as follows:

- Financial statement;
- Statement of profit or loss and other comprehensive income (statement of gross income);
- Report on changes in capital;
- cash flow statement;
- note 3 with a brief description of the significant elements of the accounting policies and other explanatory notes.

In addition to the above-mentioned reports, financial reports may include environmental reports, value-added tax reports, and other additional reports that facilitate the work of users in making economic decisions.

Until now, in many countries, it is possible to prepare financial statements in accordance with national standards, and then make the necessary changes to gradually implement the transition to IFRS (International Financial Reporting Standards). This process is called "transformation".<sup>2</sup>

Transformation of financial statements (international standards of financial reporting) in accordance with the requirements of the International Financial Reporting Standards is carried out on the basis of reports prepared in accordance with national standards. This process can be carried out by classifying accounting objects and organizing assessment elements. The goal is to adapt financial statements (International Standards of Financial Reporting) to the format.

Transformation of reports is a process that consists of making the necessary corrections (changes) in accordance with the International Financial Reporting Standards in reporting materials previously prepared in accordance with national accounting standards (International Standards of Financial Reporting). This procedure should be carried out during the reporting period.

In our opinion, the main disadvantage of this process is the complexity of parallel accounting. The specialist involved in the transformation of the report can independently choose the methodology and determine the stages of the process. The choice directly depends on subjective

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<sup>2</sup> Ташназаров С.Н. Молиявий бухгалтерия ҳисоби ва ҳисоботи: халқаро ва миллий жиҳатлар. Монография. – Т.: Иқтисод-молия, 2009. –28 б.

factors such as accounting, specific features of financial and economic activity, resources (financial, material and labor), accounting policy and detailed level of reporting.

Unfortunately, there is no single published approach to the implementation of the transformation, so each accountant and economist must develop a separate algorithm. In addition, it is allowed to choose the methodology and steps used to change the financial statements (International Standards of Financial Reporting) .

The plan for transformation of financial statements within the framework of MHSS Preparatory measures:

- a. Perfect mastery of the basic requirements for documents in accordance with MHXS;
  - b. comparative analysis of international and national standards, identification of differences and inconsistencies in predictions;
  - d. A detailed study of the conditions of application of IFRS No. 1 "Presentation of Financial Statements" (International Standards of Financial Reporting);
  - e. Formation of accounting policy of the enterprise according to international financial reporting standards.
2. Transformation process:
- a. (International Standards of Financial Reporting) Comparative analysis of the accounting policies prepared in accordance with the International Financial Reporting Standards and national standards, determining the scope of changes;
  - b. collecting information materials that require changes;
  - d. preparation of working documents, selection of the format of elements of financial reports;
  - e. corrections, classification;
  - f. formation of initial balance;
  - g. creating a balance sheet and profit and loss account (International Standards of Financial Reporting) according to the concept of MHXS;
  - h. Drafting of Securities Charter, Statement of Cash Flows and Explanatory Letters in accordance with the requirements of (International Financial Reporting Standards) MHXS.
3. Post-transformation works:
- a. formation of necessary additional reporting forms;
  - b. For all reporting elements that take inflation into account (International Standards of Financial Reporting) transformational changes;
  - d. transformation of financial statements into foreign currency

*1- table*

Enterprise financial reports ( Financial of the report international standards) to format transformation <sup>6</sup>

<p>Full tr information</p>	<p>This method is available report in the system ( Financial of the report international standards ) and national standards between sure differences and differences eliminate which necessary changes enters. Correction initial from documents received data based on done is increased . ( Financial of the report international standards ) According to such information hyperinflation conditions present will be done . Financial report national in currency present will be done .</p>
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Hyperinflation account received without complete transformation	This method , previous like , all necessary changes done increases . Financial reports , national in currency ( Financial of the report international standards ) to the requirements of according to money value changes account received without belongs to changes with present will be done .
Export indicators currency rotate according to requirements account received without complete transformation	This change method financial reports national from currency stable abroad conversion demand does This is in the context of hyperinflation surface will come , that's why for him foreign organizations with comparison or a strangerforeign with the company combine.
Full conversion	This style parallel couple from calculation consists of This Parallel account method accounting from the program which uses companies for all financial and business operations account get for answer gives. That's it with together companies ( Financial of the report international standards ) by defined financial of reports complete collection present reach opportunity have will be
Phased conversion	By hand accounting account host companies phased conversion uses. They ( Financial of the report international standards ) about MHXS one how many stage information gives and the same at the time computerized accounting _ walks. From thisexcept accounting of the field each in one computerization step by step current will be done . ( Financial of the report international standards ) in accordance with necessary information present reach for calculation fields two bilaterally count methods with cover not received if , ( Financial of the report international standards ) MHHSS with comparable corrections

*1-table*

( Financial of the report international standards ) MHHSS in the format report to give methods <sup>8</sup>

№	of the method essence
Parallel account	Account one of time in itself national and west standards according to doneis increased .
Combined method	Accounting national accounting based on standards (BHMS)periodic ( Financial of the report international standards ) MHXS based oncorrections by entering
Report transformation	( Financial of the report international standards ) MHHSS according to of reports indicators national to standards according to prepared report information based on is formed .

Because financial information is an important tool for prudent and informed decision-making, it must be of high quality. The volume of investments involved and the amount of capital depend on this factor. In addition, the financial situation of the company and its development in the market. All countries that have adopted international standards (International Standards of Financial Reporting) need to retrain their staff to study IFRS, as well as position themselves as equal partners. This allows you to effectively and efficiently use absolutely all opportunities in the international capital market.

It is necessary to prepare financial statements that are understandable for Western investors. The need to report according to Western standards comes from companies that do business with foreign banks and investors. When attracting foreign financing, these firms can expect lower interest rates, because in this case, the investor objectively assesses the risks in the credit rate. In addition, many companies today are interested in reporting on IFRS (International Standards of Financial Reporting) to participate in international projects. At the same time, as a rule, the conditions of these projects, the accuracy of reports prepared according to Western standards are confirmed by an audit report. There are several ways to prepare reports in the format presented in Table 2 (International Financial Reporting Standards). Each of these methods has its advantages and disadvantages.

The combined method ensures sufficient accuracy of information disclosure at any time, because there is no need to wait until the end of the period for preparing financial statements.

(International Standards of Financial Reporting) Transformation to MFRS is made on the basis of preparation of reports in accordance with national standards by making adjustments to reporting indicators. The transformation method allows the company to save money, because its implementation does not require more employees and the use of special software.

Conclusions and suggestions.

Practical aspects of working with financial information are of particular importance in the transformation process. In general, the following recommendations can be highlighted for the creation of the transformation table, correction and formation of printed report forms:

1. In data processing, special attention should be paid to the correctness of calculations and correction records, transformation table, printed report forms. The main aspects are as follows:
  - o maintain equity when preparing a financial report in accordance with the International Financial Reporting Standards (IFRS) on the basis of the total amount of assets, liabilities and capital, on the basis of corrective transactions;
  - o ensuring the balance of undistributed profit at the end of the previous period;
  - o ensuring the consistency of the elements of the financial statement and its records;
2. it is desirable to automate work with digital data to the maximum extent;
3. mapping of financial statement items, information within the balance sheet.
4. credit amounts should be indicated with a minus - this change simplifies the implementation of corrective entries and the transformation process.
5. to make it easier to check all the data, it should be done on additional sheets of the same file containing the transformation table. If there are complex calculations, they can be divided into separate files.

In short, since the transformation process is not legally regulated, its organization remains at the discretion of the company's management - it is possible to choose the most suitable options for a particular working organization. Also the technical part of the process

- detailed information and comments on transformation records are left to the discretion of the specialist responsible for the implementation of accounts.

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