
Anticipated Developments in the Implementation of International Tax Accounting Standards in Uzbekistan

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Abstract: The present paper examines the significance and pertinence of the adoption of International Financial Reporting Standards (IFRS) in Uzbekistan within the context of global economic integration. Drawing from international experience, considering the favorable features and benefits of establishing our national accounting system according to international financial reporting standards, together with the implications of adopting IFRS, we have developed practical suggestions on the specific areas that require consideration for future implementation.

Key words: International Financial Reporting standard, national accounting standard, financial reporting, financial analysis, high-quality financial information, economic efficiency, investment environment, capital market.

Introduction. The purpose of the financial report is to provide information on changes in the financial condition, activities and financial condition of the enterprise, which is useful to a wide range of users in economic decision-making, especially for investors looking for diversification and investment opportunities around the world.

When fundamental quality indicators and pertinent accounting standards are applied, financial statements often provide an equitable portrayal. Nevertheless, there is great variation in accounting standards among different countries, resulting in disparities in the quality of financial statements and impeding the comparison and transparency of financial information. The necessity to standardize accounting methodologies, which minimize the amount of information, necessitated the creation of a balanced International Financial Reporting Standards (IFRS) that benefits both stakeholders and firms. Given this perspective, it is crucial for firms to engage in global markets and generate a financial report that adheres to the International Financial Reporting Standards (IFRS) in order to attract prospective investors. This is increasingly becoming an essential need.

Implementing IFRS and producing a report in compliance with it will establish a unified financial information exchange platform in the worldwide market. Furthermore, this procedure contributes to the enhancement of information transparency, accountability, and economic efficiency. Furthermore, the implementation of International Financial Reporting Standards (IFRS) results in enhanced market liquidity, the growth of capital markets, the enlargement of trading volume in securities markets, the infiltration of foreign investment into the domestic market, and the enhancement of investor protection. Importantly, in order to get these favorable outcomes, it will be imperative to execute actions to efficiently apply IFRS in the domestic market. Furthermore, the adoption of International Financial Reporting Standards (IFRS) enables firms to enhance their internal management system, furnish interested parties with comprehensive information regarding the financial state of the organization, and enhance the competitiveness of the company.

Literature review. From the relevance and importance of the international standards of financial reporting, their application and global recognition and the transition to these standards, the feedback and research results presented by economic scientists and experts will be touched upon. International standards of financial reporting (IFRS) is an international benchmark of accounting,

which is used today in world countries. [5] currently, more than 60 such standards have been developed and put into practice. In our opinion, about 90 States recognize full compliance with IFRS published by the International Accounting Standards Board and such compliance in audit reports, that approximately 120 states and reporting jurisdictions allow or require IFRS to produce reports for local listing companies [13] justifies this reasoning in full blood. Today, the demand for open financial markets is stronger than ever. Globalization prioritizes the comparison and harmonization of accounting and financial reporting [6]. For this reason, many countries have followed many specific paths in the introduction of International Financial Accounting Standards and are now beginning to apply. Emmanuel T. De George describes that the main goal of IFRS is to improve the comparison of financial statements and promote high-quality accounting through unified standards around the world [7]. Also, the aim of the IFRS is to look for ways to create and introduce it into life the standards of Versailles of financial statements that are acceptable to everyone by improving them, taking into account the best aspects of the financial statements of all countries in the world. As Jason Gordon insisted, IFRS is a common global financial language for business issues that are understandable and comparable at the international level [8]. He also listed the following advantages of adapting IFRS worldwide: quality financial data for shareholders and regulators, improved comparability, increased transparency of results, increased cross-border listing protection capability, better management of global transactions, and reduced capital costs. Therefore, in today's globalization process, IFRS are recognized on the scale of financial organizations, large corporations and even countries and rely on maintaining a reporting system. In particular, Uzbekistan is actively undergoing economic reforms in this process. According to data, various studies on the adoption of IFRS at the country level have shown that it has experienced an increase in the flow of foreign direct investment throughout the countries receiving IFRS [9]. In particular, according to studies in countries such as the United Kingdom, Italy and Germany, the introduction of IFRS has been found to improve the quality of accounting data [10]. This means that financial statements made on the basis of IFRS provide high-quality, transparent and comparable financial information. This is beneficial for international organizations because it helps investors, creditors, financial analysts and other users of financial statements to comprehensively assess the effectiveness of their investments [11].

Research methodology. In this scientific article, the tasks of studying the world experience in the transition to International Financial Reporting Standards and, through this, studying the consequences, positive aspects, possible problems and achievable advantages of using IFRS in the national accounting system in Uzbekistan were outlined. In the research process, methods were used to observe empirical research, identify links between induction, deduction, aggregation and data sources, and analysis and synthesis methods of theoretical research. Analysis and results. The study of the experience of European countries on the implementation of IFRS and a fair assessment of the problems and prospects in this process is a great opportunity during the transition of companies in Uzbekistan to the process of accounting and financial reporting in accordance with IFRS. Separately, it should be mentioned that such a transition period in Uzbekistan has been going on for many years. However, during this period, the study of the world experience and the assessment of the problems and prospects of the transition to accounting and financial reporting in accordance with the IFRS are carried out very slowly.

In particular, at the beginning of the reforms on the transition to the CEC, the decision of the president of the Republic of Uzbekistan dated November 26, 2010 PQ - 1438 “on the priority areas for further reform and stability of the financial and banking system of the Republic in 2011-2015 and achieving high international rating indicators” was adopted. The decision laid out priority directions on the transition by banks to the preparation of reports on the basis of IFRS and the receipt of international credit ratings [2].

Also, for the first time in our Republic, in 2013, the National Association of accountants and auditors of Uzbekistan (Uzbek), in cooperation with the relevant state bodies and international financial institutions, translated IFRS standards into Uzbek. The Chamber of Auditors of Uzbekistan, the Ministry of finance, the central bank and large audit organizations took part in the

translation process as members of the “Review Commission”. Although the translation of the IFRS documents from 2013 was completed, they were not subsequently updated under the permanent changes made by the IFRS Foundation.

As the main reason for this, it can be shown to them that there is a low demand and need, as well as the fact that the IFRS documents are not recognized by the legislation. Later, according to the decree of the president of the Republic of Uzbekistan dated April 24, 2015 PF-4720 “on measures to introduce modern corporate management methods in Joint-Stock Companies”, in 2015-2018, all joint-stock companies were prescribed to publish annual financial statements and conduct external audits in accordance with international standards of audit and financial reporting [3]. At the same time, it should be noted that the majority of accountants, tax and finance specialists operating in our country at that time did not have sufficient knowledge of the IFRS. On top of that, a permanently updated version of the IFRS documents for application in Uzbek was not provided. As a result, most companies were forced to hire auditors and other external experts to prepare financial statements based on IFRS.

Based on the European, moreover, world experience in recent years of the transition to IFRS, the following positive aspects can be observed (Figure 1):

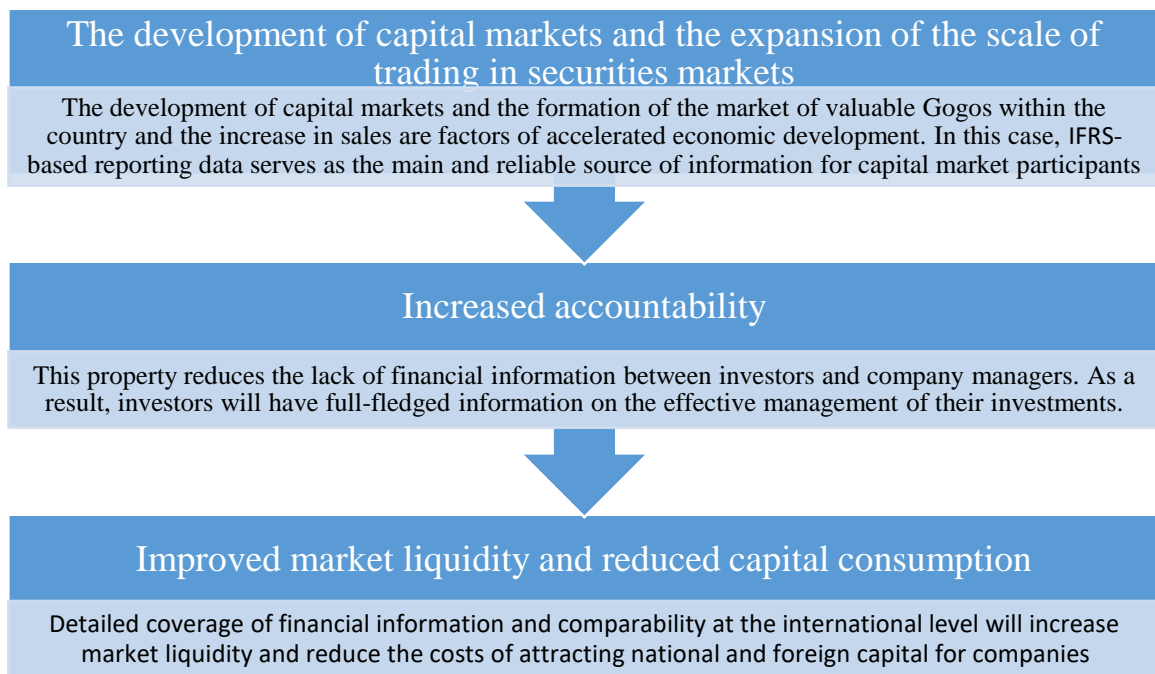


Figure 1. Positive aspects of the transition to IFRS

In our opinion, in accordance with the above positive aspects, we can have practical advantages that will be achieved as a result of the transition to the following IFRS:

- market mechanisms for assessing assets-in which the initial value of assets and liabilities and the use of its current market value create the opportunity for both the investor and the organization;
- timely reflection of asset depreciation-the national standards of current accounting do not require taking measures at the risk of asset depreciation. Thanks to this, large companies risk an increase in the amount of assets. International Financial Reporting Standards make the necessary requirements for the receipt of such risks;
- specific guidelines for conditional asset and assessed liabilities-for users to make correct and clear decisions, it is important not only information about document-based transactions, but also to reflect in Current Reports the consequences of possible events in the future;
- formation of consolidated financial statements-most large companies are making consolidated reports taking into account the enterprises that are part of it, but the fact that they do not take

into account modern consolidation mechanisms when drawing up them is causing the real situation of this group of companies to become invisible. Consolidated reporting by international standards of financial reporting is a special component of financial reporting and has special requirements for it.

Although the practical work on the introduction of International Financial Reporting Standards is being carried out at an accelerated pace, it is necessary to equally highlight and analyze the difficulties that are booming in this process. Basically, it is necessary that we feel well what the consequences of the introduction of international standards into the accounting system of our country are waiting for us. It has only become known that currently there is a shortage of personnel or a high value of training, the transition to international standards of financial reporting will take many years and will require a lot of resources and capabilities. Considering that this is the beginning of such a process, and given that such difficulties cannot negate its dominant aspects, the following approximation is considered essential for us to list the consequences and draw appropriate conclusions in the right direction (Figure 2).

Financial of the report international current standards make

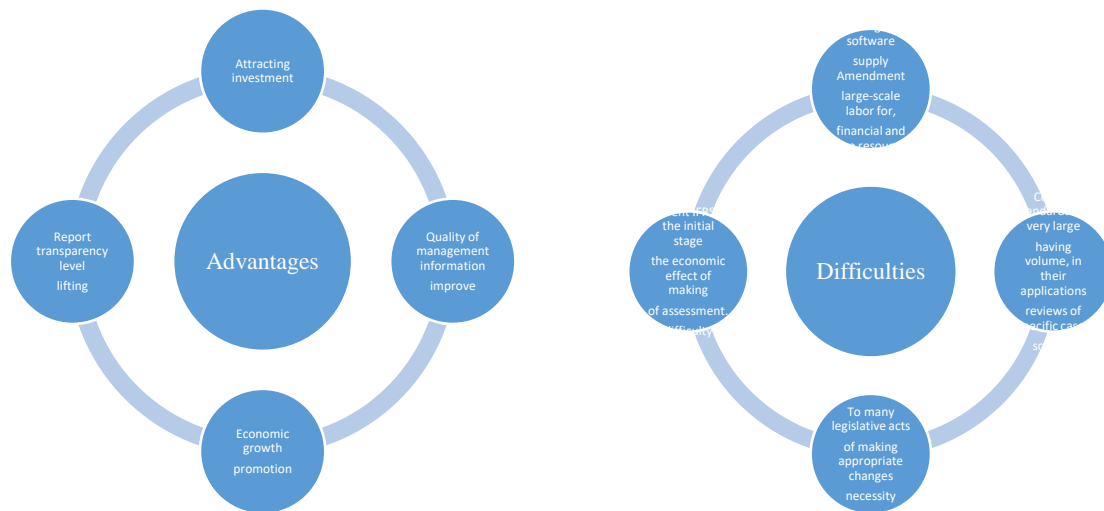


Figure 2. Consequences of the introduction of International Financial Reporting Standards into the accounting practice of the Republic of Uzbekistan

In short, the transition to IFRS and the successful implementation of IFRS by the established organizations will not only provide the prospect of the company, but also have a positive effect on the development of entire sectors of the economy. To do this, the tasks and difficulties that are in front of us must be solved efficiently and within the specified periods. But it is also worth noting that some problems in the general economy and insufficient legal framework have a negative impact on the development of work on the transition to the IFRS. The essence of operations and other phenomena does not always correspond to what arises from their legal form. [12] even for this reason, the information in the financial statements must correctly reflect transactions and other phenomena, so they must be taken into account and presented in accordance not only with the legal form, but also with their essence and economic reality. In particular, in the past 2022, the Joint - Stock Company UzAuto Motors, one of the largest manufacturers in Uzbekistan, planned to sell its shares through IPO for domestic investors. Initially, it was envisaged that up to 10 percent of the share package of UzAuto Motors JSC would be placed in public on the local stock market. It was later reduced to 5% of the IPO share package, and finally to 1%. At the same time, since 2020, UzAuto Motors has ranked in the top ten largest taxpayers in Uzbekistan. The production volume of the company has increased by 2.4 times in the last 5 years, and net profit by 3.4 times [14]. Within the framework of the IPO of such a promising, high-profitability

manufacturer, 1,383 applications for the disposal of shares of society were received. This represented 29.1% of the total volume of shares sold. Apparently, the demand for the shares of the national automaker turned out to be much lower than expected. Shortly before the start of sales, the credit rating of the UzAuto Motors shareholder society by the international rating agency Fitch Rating was raised from “B+” (stable expectation) to BB- (Stable expectation) [15]. At this point, a natural question arises. Although the financial profitability of the company is high, with a positive credit rating, why was the expected demand for the purchase of shares of UzAuto Motors not? The answer is that the actual financial statements of the company are not disclosed. The "UzAuto Motors" shareholder society uses a number of open and closed benefits, subsidies, there are not even significant financial information indicators that it pays or does not pay the disposal fee, which is its direct obligation. For potential investors, however, it is considered important to be aware of such financial indicators. In this respect, it can be said that the uncertainty of the financial situation has reduced interest in the company's shares by investors.

Conclusions and suggestions. As a result of analyzing the relevance, positive aspects and advantages and consequences of the transition to international financial reporting standards, as well as researching theoretical and methodological aspects, the following conclusions can be drawn: first, the application of International Financial Reporting Standards in the preparation of financial statements at enterprises, the study of its importance and necessity, users of these financial statements, mainly, it is necessary to emphasize that it has priority in attracting investors and provides a transparent and fully disclosed set of data and serves as a reliable resource; the second, the most necessary resource in the introduction of international standards of financial reporting on a nationwide scale, is personnel. For this reason, it is advisable to use existing and additional resources to quickly develop a personnel training system and make changes to the software; third, in the process of continuing reforms to bring national accounting in accordance with the principles and requirements of the IFRS, we must make necessary changes and additions to the current regulatory legal acts, national accounting standards, in particular, regulations, directives and regulations into standards; fourth, in addition to the accounting system in the adoption and application of the IFRS, it is necessary.

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