

STAGES OF TRANSFORMATION OF FINANCIAL STATEMENTS TO IFRS IN COMMERCIAL BANKS OF UZBEKISTAN

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Abstract	
Keywords: <i>international standards, joint-stock companies, banking system, account, implementation stages, quality indicators, chart of accounts, rating assessment, accounting features, transformation of financial statements.</i>	<i>This article outlines issues and solutions to such problems as accounting based on international financial reporting standards, asset recognition, capital accounting, financial results, improving accounting information support, as well as the implementation and evaluation of international standards. Based on this, it should be noted that today it is necessary to generate financial reporting data in joint-stock companies, to increase their reliability on the basis of international financial reporting standards.</i> <i>Copyright © 2023 International Journals of Multidisciplinary Research Academy. All rights reserved.</i>
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INTRODUCTION

In the context of the globalization process in the international community, the requirements for the transition to international standards, as well as for their compliance, are becoming increasingly stringent. In the context of global integration, "all joint-stock companies operating in various fields around the world, more than 45 thousand multinational corporations and large companies, together with their more than 250 thousand subsidiaries and other related companies, voluntarily prepare financial statements in accordance with International Financial Reporting Standards (IFRS)." In this regard, the number of countries that recognize IFRS is growing. Especially in joint-stock companies, the harmonization of financial statements at the global level, as well as the effective use of advanced foreign experience in implementing IFRS in the banking sector at the national level is the most urgent task in the conditions of digitalization of the economy of developing countries of the world.

LITERATURE REVIEW

This becomes especially important in the process of global integration of commercial banks, which allows the same understanding and analysis of financial statements of different countries, as well as finding ways to solve the problems of calculating the impact of financial risks using a similar methodology, it is necessary to implement international financial reporting standards. According to Prof. A.Ibragimov (2020), according to the analysis of the world practice of the banking sector, it is clear that a lot of scientific research is being conducted aimed at organizing an accounting system based on international financial reporting standards. Analysis of these studies shows that they have found solutions to such issues as accounting based on international financial reporting standards, asset recognition, capital accounting, financial results, improvement of accounting information support, as well as the introduction and evaluation of international standards. Based on this, it should be noted that today it is necessary to generate financial reporting data in joint-stock companies, to increase their reliability on the basis of international financial reporting standards. According to U.Tursunov (2020) however, the most important issues related to the organization of reporting of joint-stock companies at the level of requirements of international standards and their participation in international stock exchanges have not yet been fully resolved. In Uzbekistan , to ensure the transparency of financial reporting , according to A.Ibragimov and Z.Umarov (2020) of the banking system, maintaining the accounting system in accordance with the requirements of international standards is important in increasing the reliability of reporting data. As the President of the Republic of Uzbekistan noted on this issue: "joint-stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers will organize accounting from January 1, 2021 and, starting from the results of 2021, prepare financial statements based on IFRS, with the exception of legal entities for which the legislation provides earlier the period of transition to IFRS" . According to this Resolution, from January 1, 2021, joint-stock companies will carry out accounting and preparation of financial statements on financial and economic activities on the basis of IFRS.

As you know, the accounting system in the banking system has been reformed and improved since the independence of the Republic of Uzbekistan. According to Ibragimov A. and Rizaev N.K. (2018) of some experts, the rating assessment of the activities of commercial banks is a comparative evaluation system conducted on the basis of financial indicators. Siny in order for commercial banks to evaluate their activities on the basis of a

rating from experts, their financial statements must be compiled in accordance with international requirements. As noted above, an international rating of commercial banks is compiled on the basis of financial reporting indicators. According to Ibragimov A (2021), as a result, foreign investors will be able to read and understand the financial statements of economic entities compiled on the basis of international standards. Therefore, through the placement of shares of commercial banks formed in the form of joint-stock companies on the stock market, their quotation is correctly determined. The effectiveness of the methods of rating the activities of commercial banks, the results of the rating of commercial banks are important in foreign countries. International financial Reporting standards are used by commercial banks for the following purposes:

- 1) in most countries, they serve as the basis for national accounting and reporting requirements;
- 2) are used as an international benchmark for individual countries developing their own accounting and financial reporting requirements;
- 3) when required by stock exchanges and regulatory authorities, commercial banks must prepare financial statements in accordance with IFRS;
- 4) even in countries where IFRS is not required, it is used due to the growing number of companies participating in the international stock exchange.

RESEARCH METHODOLOGY

In connection with the above, IFRS are increasingly used and recognized worldwide. Some countries even use IFRS unchanged as their own standards, while some States make some changes based on the specifics of the country. The transformation of the international accounting system in commercial banks is important for the proper organization and maintenance of accounting in the banking system of the Republic of Uzbekistan. To do this, the bank's employees responsible for the accounting of organizations must have sufficient knowledge and understanding of the basic principles and methodological foundations of accounting and financial reporting based on IFRS.

In our opinion, the process of transformation into international financial reporting standards in the Republic of Uzbekistan can be divided into 4 stages:

1. The initial stage;
2. Implementation stage;
3. Stage of formation of financial statements;
4. The stage after reporting.

At the initial stage, preparatory work is being carried out for the process of transition to international financial reporting standards. In particular, at this stage, a methodology for collecting information necessary for the formation of financial statements is being developed. Also, based on the study of the accounting system in commercial banks, a plan for the transition to IFRS, the form of accounting, accounting policy is being developed, a plan of working accounts corresponding to IFRS is being drawn up, work is being carried out on the formation of synthetic and analytical accounting, finding solutions to the problem of their generalization.

The implementation stage includes the order of organization and registration of primary accounting documents and their generalization, the implementation of relevant transactions based on IFRS and their reflection on accounts, grouping and other processes prior to the preparation of the balance sheet.

The stage of formation of financial statements includes the processes of collecting, grouping and summarizing, based on IFRS, information necessary for the preparation of financial statements in commercial banks. The stage after the preparation of financial statements includes the processes of preparing financial statements for external audit after its preparation, as well as the processes of summarizing balances and data at the beginning of the next reporting period.

ANALYSIS AND RESULTS

In the management system of commercial banks, the main tasks of accounting and financial reporting are as follows:

- timely registration in the documentation of business transactions carried out in the management system of commercial banks;
- formation of complete and reliable information on the status and movement of assets, property rights and obligations in the management system of banks;
- generalization of accounting data for effective management of the management system of commercial banks;
- timely preparation of financial statements of commercial banks, as well as the reporting management system and its submission to the relevant authorities.

It is important that international Financial Reporting Standards No. 1 entitled “Presentation of Financial Statements”, No. 7 “Cash Flow Statement”, No. 8 “Accounting Policy, Changes in Accounting Estimates and Errors”, No. 9 “Financial Instruments” specifically define the forms and content of financial statements in commercial the banks on the basis of which they are provided.

The following forms of financial statements are prepared in commercial banks of the Republic of Uzbekistan:

1. Financial statements of financial position at the end of the year;
2. Financial statements of profit and loss, as well as the statement of comprehensive income for the year;
3. Financial statements of total capital for the year;
4. Financial statements on cash flows for the year.
5. Notes and explanations to the annual financial report.

These forms are published financial statements that are published on the basis of an external audit report.

The peculiarity of these forms is that commercial banks have specific features of financial statements, in particular, the banks' balance sheet is formed daily and the annual balance sheet is compiled as of December 31 of the reporting year. The timing of reporting to the relevant authorities is determined by the Central Bank of the Republic of Uzbekistan. Before preparing the financial statements, the banks must bring the final transactions during the preparation of the annual financial statements:

1) reserves are formed for classified assets and contingent liabilities in accordance with the instructions of the Central Bank of the Republic of Uzbekistan, for example, for loans based on the classification of loans;

2) to make a revaluation of foreign currency, the value of securities, as well as assets in accordance with the provisions of the Republic of Uzbekistan;

3) to make reconciliation of correspondent accounts opened in banks of the Republic of Uzbekistan, as well as outside of it, in the appropriate way the final transactions are made;

4) the results of the inventory of fixed assets, intangible assets and commodity stocks, as well as the initial monetary funds in the cash register and for its redistribution;

5) accruals of bonuses, vacations and other types of labor payments are made in accordance with the current regulations in the bank and make appropriate accounting entries;

6) analyze all concluded agreements (on deposits, loans, intrabank settlements, in accordance with accounting principles, reflecting them on the relevant accounts and others.

After making all records on income and expense accounts, the balances are closed on the corresponding income and expense accounts, profit and loss of commercial banks of the Republic of Uzbekistan. The conceptual approach to the concept of financial reporting,

that is, the relationship of the elements that make up the concept of financial reporting, can be depicted as follows (Figure 1).

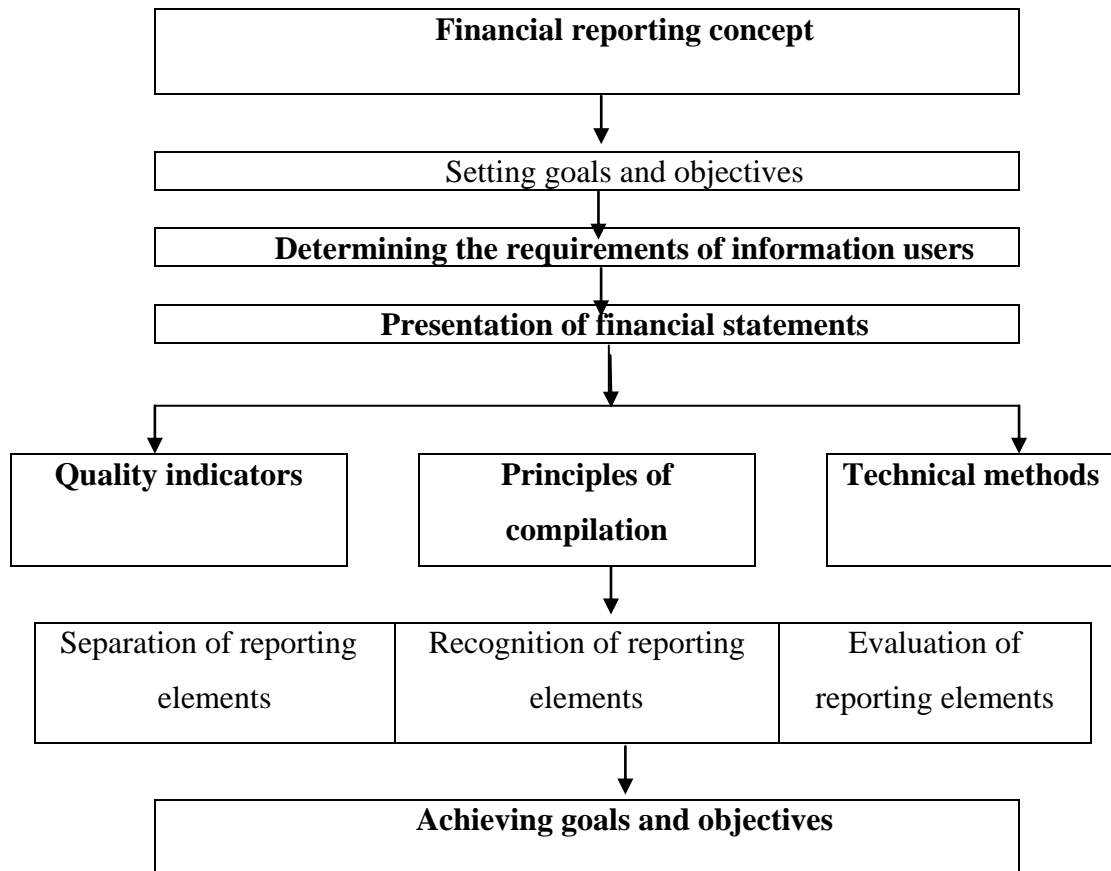


Figure 1. Interrelation of elements of the financial reporting concept ⁱ

We can see that the concept of presentation of financial statements covers three of its various aspects. At the same time, it is indicated that it is necessary to highlight in detail the aspects of quality, the principles of reporting, technical methods.

CONCLUSIONS

We can see that these aspects are also reflected in the conceptual framework of financial reporting. Since they establish the basic rules for the preparation of financial statements, and these rules highlight the quality of financial reporting indicators, the general principles of the preparation process and the technical principles of the preparation of financial statements. Thus, the role of these elements in the formation of financial information has been clarified. We came to the conclusion that the main purpose of financial accounting and reporting is to create an information system for market participants to evaluate the results of the activities of economic entities, their financial condition and changes in it. The main aspect of the study is to determine the main

ⁱCompiled by the author.

directions of enriching reporting data to study the information capabilities of financial reporting and fully meet the needs of information users.

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