

## **TRANSFORMATION OF FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL STANDARDS IN BANKS OF UZBEKISTAN**

**Ibragimov Abdugapur Karimovich- Doctor of Economics, professor of the Center for Applied Research of financial information technologies "Banking and Finance Academy of the Republic of Uzbekistan, Tashkent, Uzbekistan.**

Email: [gafuribragimov@mail.ru](mailto:gafuribragimov@mail.ru)

**Abstract:** In this article, the issues of introduction of International Financial Reporting Standards in the banking system of Uzbekistan and changing reports to these standards are studied and the process of transition to international standards is investigated. These is made appropriate conclusions on the possibilities of using financial technologies in the application of IFRS.

**Keywords:** financial statements, international standards, commercial banks, transformation of reports, financial position reports, profit and loss and general revenues, comments and explanations.

As a result of the introduction on the basis of an accounting system corresponding to the international accounting system, in the process of integration of the Republic of Uzbekistan into the world community, significant changes have occurred in the indicators of financial statements and the system of their presentation and transformation of financial statements.

Currently, the issues of transition of the Republic of Uzbekistan to International Financial Reporting Standards (IFRS) are relevant. This is due to the fact that IFRS are one of the main tools that guarantee the provision of transparent and unified information about the financial position of the company useful for making economic decisions to various groups of users.

Transformation of financial statements is the process of preparing financial statements in accordance with IFRS by rearranging accounting information and adjusting reporting items prepared according to the rules of the national accounting standard of the Republic of Uzbekistan.

When converting financial statements to IFRS, two main methods of preparing statements in accordance with IFRS are used:

1) transformation of financial statements compiled on the basis of the national accounting standard NSAUz;

2) When translating financial statements into IFRS from parallel bookkeeping (conversion) and reporting based on its data.

For the transformation of IFRS reporting, ready-made statements compiled on the basis of the national accounting standard of the Republic of Uzbekistan and analytical transcripts to it for balance sheet items and profit and loss statements are used. It is carried out by making appropriate adjustments and additional transactions in order to bring assets, liabilities and capital to the amount at which they should be reflected under IFRS.

Currently, there is no single methodology for converting financial statements compiled on the basis of National Accounting Standards into statements that comply with IFRS. In each specific case, this is influenced by the specifics of financial and economic activities, the specifics of the organization of accounting and accounting policy, the availability of temporary, financial resources and qualified personnel for accounting and reporting in this area. The conversion process (parallel accounting method) requires either the formation of accounting data in two financial reporting systems, or the configuration of the software so that it allows the formation of two types of reporting: in the format of IFRS and NSAUz. Compared to transformation, this reporting method is more reliable and operational, but requires significant implementation costs associated with large time costs and high requirements for personnel qualifications. To conduct parallel accounting, it is necessary to have two accounting departments or the same accountants must perform double work: conduct in accordance with the National Accounting Standards of the Republic of Uzbekistan and organize accounting in accordance with IFRS.

Currently, using the world experience, a system of organizing qualitatively new accounting accounts and providing financial statements is being formed, within the framework of which commercial banks carry out modern accounting operations. The reflection of commercial banks' operations in accounting also creates an opportunity to organize financial statements based on international standards in order to implement them in accordance with international standards, adapt the accounting system to the system adopted in international practice, develop and implement an accounting plan that is the basis of accounting to ensure compliance with international reporting standards.

Commercial banks of the Republic of Uzbekistan, according to the requirements of the Central Bank, will begin to prepare financial statements in accordance with international standards from 2021, since with the introduction of IFRS, the transparency of

commercial banks' activities should increase, it will be possible to compare the financial indicators of both one commercial bank by period and different commercial banks with each other. As a result, interested parties (investors, participants, shareholders, counterparties) will invest their money in commercial banks of the Republic of Uzbekistan with greater confidence. The information obtained during the preparation of consolidated financial statements under IFRS can also be used for budgeting, planning changes in the composition of the group, assessing the strategic development of the entire business of commercial banks. Thus, the application of IFRS to reflect the financial and economic activities of commercial banks will improve the internal management system of the bank through the use of a unified accounting methodology for the management of financial and economic activities, as well as increase the competitiveness of banks by increasing the reliability and transparency of information for interested users.

To date, the introduction of International Financial Reporting Standards in the development of investment activities in developed countries plays a key role. After all, in the conditions of the global financial and economic crisis, the banking and financial system has been further strengthened and is being improved qualitatively. Therefore, in recent years, Uzbekistan has been making decisions and decrees that are important for the development of this system and increasing their capital levels, and action plans are being developed.

Financial statements cannot be transformed directly into international accounting standards at any time without prior preparation. Financial statements without preparation will not give the expected result even in the case of transformation. Therefore, when applying IFRS for the first time or before the transformation of financial statements that are based on national standards, conditions, environment and the need for certain preparatory work arise.

The transformation of accounting statements into the international format of commercial banks is a rather complex process that requires particularly high professionalism from the accounting staff. Good knowledge of international standards in the field of accounting of assets, liabilities and capital is required to perform the transformation of reporting. During the transformation, it is necessary to comply with international standards IFRS 1 "Adoption of IFRS for the first time" and IAS 29 "Financial Reporting in a hyperinflationary economy". In addition, during the transition to IFRS, the organization will need to carry out some preparatory work of a methodological and organizational nature. Unlike conversion, transformation is not a regular, but a periodic

process. In our opinion, the transformation process can be divided into the following stages:

1) *The preparatory stage includes the following operations:*

- \* development of accounting policies in accordance with IFRS in order to maximize the convergence of accounting policies of commercial banks of Uzbekistan and IFRS in order to reduce the discrepancy of accounting items during transformation, calculation of incoming balances as a basis for transformation;

- \* compliance with the requirements of IFRS 1 and preparation of the initial balance sheet, selection of the valuation currency and reporting currency, analysis of the corporate structure of commercial banks to identify subsidiaries and affiliates that need to be included in the financial statements for the preparation of consolidated financial statements under IFRS;

- \* analysis of all operations of the company in order to identify differences in the accounting of objects according to national and international standards, as well as collecting information necessary for the calculation of transformational adjustments;

- \* development of the IFRS chart of accounts and the table of compliance of the Uzbek chart of accounts in commercial banks with the IFRS chart of accounts;

- \* development of a transformational model, i.e. a system of transformational tables that allow using corrective transactions to recalculate reporting positions;

- \* implementation of the reclassification of accounts and preparation of accounting entries for the transition from the Uzbek chart of accounts in commercial banks to the international chart of accounts.

2) *The main stage of transformation includes:*

- \* search for and identify differences in approaches to accounting and reporting under IFRS and NSB;

- \* preparation of adjustment records based on existing accounting differences.

3) *The technical stage of transformation includes:*

- \* preparation of transformational records and preparation of adjustment postings;

- \* creation of a working transformation table and filling out reporting forms in accordance with the IFRS format.

To date, there is no single algorithm for the transformation of financial statements, and an individual approach is required in each case. This is due to the fact that the reporting process is influenced by a significant number of subjective factors, including: the specifics of financial and economic activities, the specifics of the organization of

accounting and the accounting policy applied, the necessary degree of detail of reporting, the availability of time, financial and human resources, etc. For this reason, there are currently a number of approaches to transformation. The specialist transforming the reporting has the right to independently determine the methodology and stages of transformation in relation to the reporting of each specific commercial bank.

When transforming financial statements, it is necessary to comply with the requirements of the IFRS 1 standard "Adoption of International Financial Reporting Standards for the first time", which contains instructions on the specifics of the initial transfer of reporting from the national accounting system to IFRS. However, compliance with the conditions of this standard leads to the need to apply transformation methods, since it contains the requirements for the recalculation of financial statements to IFRS for the past period. The date of transition to IFRS is the beginning of the earliest period for which the company provides complete comparative information in accordance with IFRS. This standard is applied in cases when an organization switches to preparing its financial statements in accordance with IFRS for the first time. The main requirement of the standard is that when switching to IFRS, the company must prepare an initial balance sheet in accordance with IFRS, which will be the starting point for preparing financial statements in accordance with IFRS.

Therefore, the presence of different views on this issue in the economic literature suggests that this area has not yet been well studied. In this regard, the Russian economist-scientist O.Ageeva stressed the importance of determining the place of international financial reporting standards in integration into the economic system [2. P.178.]. L.Trofimova noted that "as a result of the economic reforms carried out in the world, the creation of conditions for the transition of financial reporting to international standards, the integration of large business in the Russian state into the global economic system, the presentation of financial statements in the form in which business representatives understand, the need for its adaptation to international financial reporting standards is brewing"[3.P.29-30.]. This means that business representatives in Russia, in this proposal, when commercial banks enter the international level, are certainly required to submit their financial statements based on an international standard, and, as a result, they are required to conduct the activities of companies based on international standards.

In this matter, the accounting rules of Russian economists-scientists are determined by accounting standards. N.A.Mislavskaya wrote that "the forms of financial statements are defined, which are presented in accordance with international financial reporting

standards, which will present a system of comparable and accurate data on the financial position of the enterprise, the results of sales of products, works and services, income and expenses, property and financial condition of the enterprise, as well as economic activity"[9. P.58.]. In this matter, Prof. Barkhatov A.P. different approaches is described as follows: "International standards of financial statements are presented in conformity with the standards of the international accounting system for the reporting period which reflect the results of economic activity of the enterprise"[7. P.178.]. Summarizing the above points, we can conclude that this is the basis for drawing up an appropriate conclusion on the financial situation of business entities, their financial performance and capital adequacy.

Another form of approach to the international financial reporting standard is Prof.Ibragimov A.K. The following definition is formulated by the authors "International Financial Reporting standards – a unified system of indicators of the property and financial condition of an enterprise and the results of economic activity, designed to detail economic information collected and accounted for in forms established on the basis of accounting information" [6.P.224.]. The idea of accounting is closer to the definition of international standards Prof. Mislavskaya S.N. it is defined as follows: "the international accounting standards themselves are a system of indicators obtained on the basis of accounting information characterizing the property and financial position of the enterprise (organization), as well as the results of economic activity in the reporting period" [9. P.234-238.]. Almost exactly the same definition was given by a team of authors led by L.I.Khoruzhey: "the accounting report itself is an integral system of information about the property and financial condition of the organization, as well as the results of economic activity" [10. P.45-46.].

Among scientists from Uzbekistan, "report", "international accounting standards", "international financial reporting standards" are described differently on the basis of a general framework as a kind of concept. A.Ibragimov, M.Maripatov, N.Rizaevwrote: "International Financial reporting standards are a system of methods for presenting financial events and transactions that perform and affect an entity, regardless of whether it is a separate independent enterprise or an organized group of economic enterprises"[8. P.26-27.]. The authors tried to accurately describe the financial statements. However, important aspects of the financial report, such as the "reporting period", its forms and the causal continuity of the indicators reflected in them, were ignored. A.Ibragimov and others approached the definition of financial statements as a set of performance data to describe

international standards. According to them, "The International Financial Reporting System is a collection of information on the results and conditions of the activities of joint-stock companies over the past period, which is used for the purposes of analysis, control and management of activities"[11. P.65-68.].

The information that should be placed in the statement of financial position of commercial banks should be placed in such a way that it contributes to the analysis of the financial situation. When placing accounting items, it is necessary to pay attention to their level of liquidity. One rule is observed in the statement of financial position when placing items: when placing items on the balance sheet, their level of liquidity is taken into account, that is, they are placed in the order of transition from fast-liquid assets to hard-liquid assets, as well as from short-term liabilities to long-term liabilities. Then it will be possible to compare current assets with current liabilities. This gives users the opportunity to post information when determining the liquidity of the balance sheet. To date, there is a need to develop a new composition (new form) of the position in accordance with international standards of the statement of financial position.

In the process of analyzing the international accounting system, we must first analyze the accounting system established in different States. The adaptation of financial statements to international standards is especially important when assessing the financial performance of companies and firms and their international activities. In our opinion, when transforming the financial statements of commercial banks into international standards, it is desirable to include the following factors:

1) We must ensure that the system of national accounting standards of the Republic of Uzbekistan is as harmonious as possible with international standards. If there are many deviations in this process, the transformation process will be difficult, it will not give the expected result, even if the transformation is completed;

2) Only the law on accounting and accounting standards should be a regulatory legal act when conducting accounting and preparing and presenting financial statements. We also need to standardize rules, regulations and regulations step by step;

3) It is necessary to create an Institute of Professional Accountants in the Republic of Uzbekistan, within its competence to improve the professional skills of Certified Accountants and auditors, to develop skills in international accounting programs for practical accountants;

4) to improve the system of financial incentives for chief accountants of commercial banks of the Republic of Uzbekistan for the preparation of financial statements

based on international financial reporting standards, ensuring their compliance with the rules of ethics;

5) in commercial banks, it is necessary to improve the accounting policy, which is the basis of accounting in accordance with international financial reporting standards, to structure it in full accordance with the principles of financial reporting, as well as to achieve development in accordance with the requirements of international standards in the banking system.

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