

**THE IMPROVEMENT OF ORGANIZATIONAL-METHODICAL
PROVISION OF ACCOUNTING AND FINANCIAL REPORTING
IN BUDGET ORGANIZATIONS ON THE BASIS OF
INTERNATIONAL STANDARDS : A CASE STUDY IN THE
REPUBLIC OF UZBEKISTAN**

Ibragimov Komiljon Sherquziyevich *

Abstract. In this article improvement issues and problems of accounting and reporting methodologies in budget organizations on the basis of International Standards are highlighted.

Key words: budget system, budget execution, public sector, budget organization, accounting policy, accounting, financial statement, standard, cash method, calculation method, financial result.

* **Senior Researcher – Tashkent financial institute**

Introduction. Economic integration and globalization have been extending their scope progressively and have made many states of the globe mutually and multilaterally interconnected in terms of actions and measures towards economic prosperity. International partnership and collaboration are seen as the key factor of economic reforms which requires international experience and knowledge exchange among countries. Being one of the fastest developing states, Uzbekistan also has been reforming and adjusting structurally all sectors of national economy, especially, in accounting and public finance sphere.

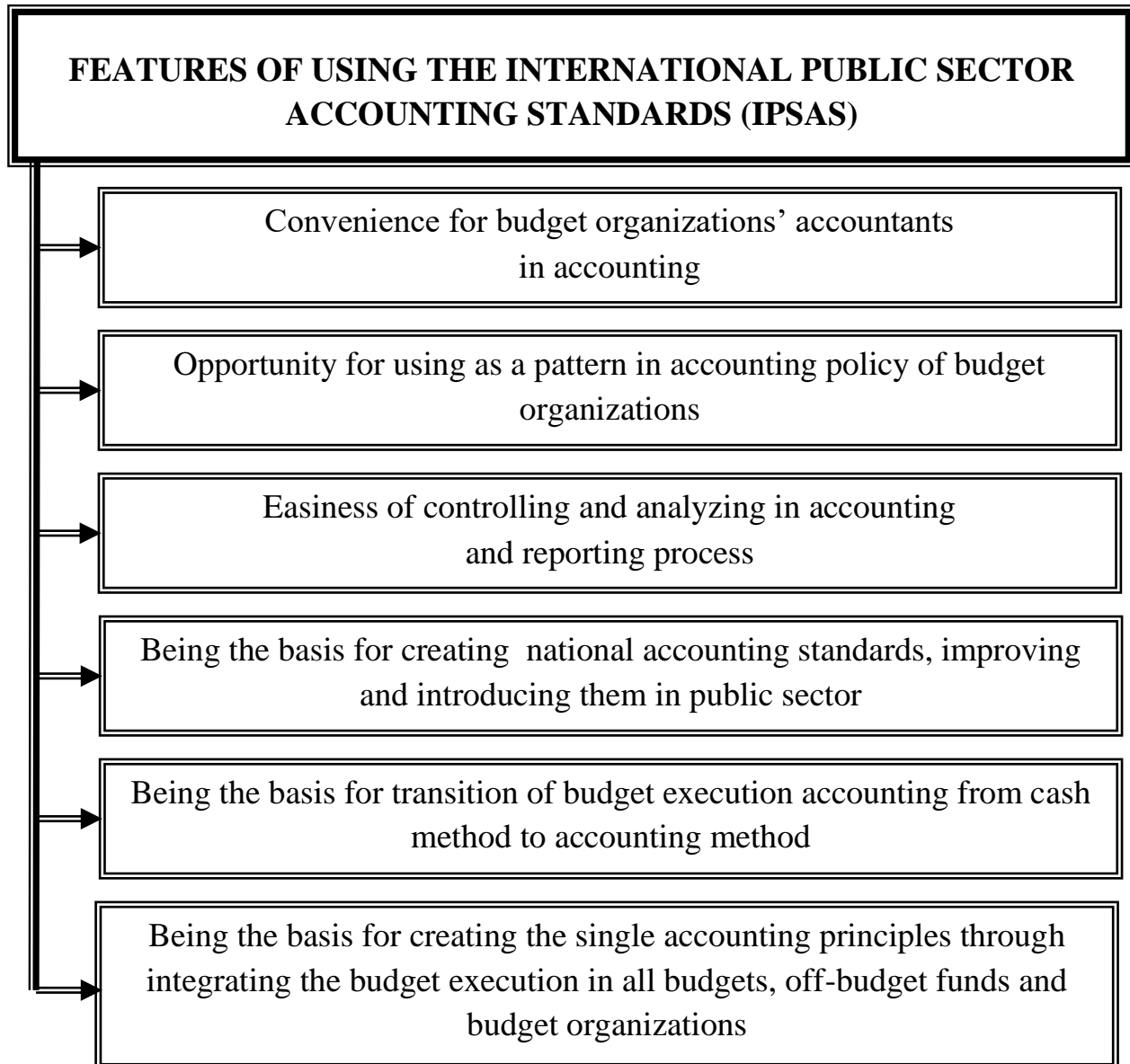
Extending the economic reforms in our country and its merging to the global economic system requires regular improvement of existing legislative basis and its consistency with International Standards.

Since the national independence Uzbekistan has been enhancing all spheres and sectors. Proper socio-economic and political condition and gradual development of transition to market economy are provided in a short period of time. As a factor of empowering the national economy, reforms on budget execution system has great importance. Therefore, the government has been taking action for improving the budget system and has been conducting prudent legislations and their introduction and enforcement such as «Accounting Act» declared on April 13, 2016 (*new edition*), «Budget Code» declared on December 26, 2013, and Instruction Reg. no. 2169 «Accounting in budget organizations» which amended in December 22, 2010 and etc.

Establishing the unique legal basis for public sector in state budget execution process, creating and coordinating the localization mechanism of International Public Sector Accounting Standards (IPSAS) for improving the accounting and financial reporting methodology, strengthening the existing legal bases and investigating the driving factors scientifically are seen as the main targets and tasks for advancing.

Improving the national budget accounting system and providing its full compliance with international standards involve empirical and theoretical investigations in manipulation and adoption of international standards for sophisticating the accounting and financial reporting methodology in budget organization.

The following graph (1) shows the analysis of using the International Public Sector Accounting Standards (IPSAS):



Graph (1): Features of using the International Public Sector Accounting Standards (IPSAS).

In Uzbekistan accounting and financial reporting in treasury implementation of state budget are enforced in the unique order in consistent with all legal requirements. Nowadays, legislations on organization and conduct of accounting in budget organizations and their introduction, optimization of accounting of execution of estimate of expenditures and their financial reporting

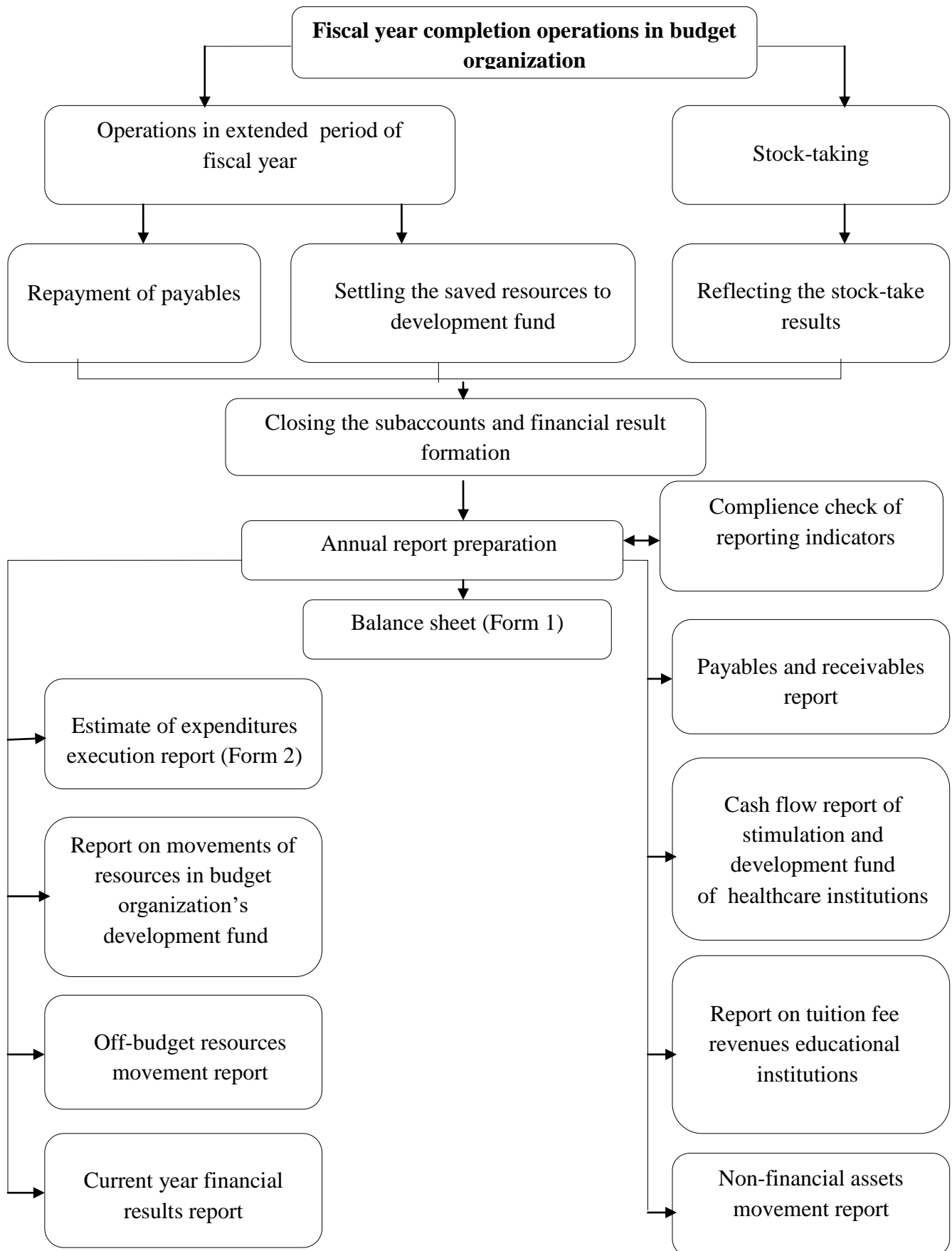
methods in budget organizations and improving the treasury execution of state budget in accordance with international standards are main issues faced by the subject.

Discussion. Scientific research and investigations conducted by leading scientists and economists show those reforms in budget system result in efficient and enhanced outcomes. Adopted legal acts play a vital role in regulating the emerging economic changes and reforms. Namely, the rule Reg. no. 2270 «Periodical financial statement preparation, approval and presentation rules of recipient organizations of State budget of the Republic of Uzbekistan» which adopted in September 27, 2011 were the bases for establishing the unique order of accounting and reporting in budget organizations.

According to the above-mentioned rule, budget organizations must present separate financial results for each mode of resources. These operations, initially, are to be reflected in accounting registries, in annual financial reports.

At the end of the current year final internal accounting transactions records, relevant analytical charts tables, accounting statements and their approving papers are attached to a separate Form 274. After preparation process of annual financial report and accounts completed, all statement forms must be checked for technical mistakes and data inconsistencies.

The following graph (2) shows the sequenced process of the fiscal year completion and annual financial report preparation can be illustrated in systematically linked schematic representation:



Graph (2): Schematic representation of fiscal year completion and annual financial report preparation.

Schematic representation outlines opportunities for preparing the reports in a closely related manner, comparison and control on financial data reflected in financial reports. In order to improve data processing and report preparation methodologies requirements of international standards must be taken into account.

Conclusion. Following issues are to be priority tasks in improvement process of public sector accounting and financial reporting methodology on the basis of international standards:

1. Considering the accounting policy formation methodology in optimizing the budget accounting in budget organization;
2. Based on the attributes of international standards, creating the unique plan of the state budget treasury execution accounting and its accounts according to the classification of state budget revenues and expenditures;
3. Solutions for abovementioned issues are significant for accounting in budget organizations and improving their financial reporting methodology;
4. Creating and enforcing the sound and complex national public sector accounting standards which can respond to all requirements and conditions of international standards; by means of them creating a room for transition to accounting method from cash method and forming its methodological basis in budget execution reporting and public budget execution reporting; It directly results in:
 - convenience for budget organizations' accountants in accounting processes;
 - optimization of controlling the accountable objects;
 - easiness in financial reporting and larger information scale;
 - relatively more opportunities for comparison and analysis of financial reports of economic partner states;
5. Based on international standards introducing the single accounts system of treasury execution accounting of public budget in accordance with the classification of public budget revenues and expenditures. It creates ground for:
 - opportunity for conducting the immediate control on accountable objects during budget execution process;

- single accounting system of budget organizations' off-budget funds provides opportunity for addressed spending;

- extending the wider investigation of accountable objects by creating the single accounts system;

6. Introducing new accounting techniques and technologies in international practice and establishing their national methodological basis. Special software and program complexes eases the financial reporting and accounting processes in the following ways:

- saving resources;

- spending less time on accounting, reporting and presentation processes;

- fast and mathematically correct data processing;

- confidential data saving and etc.

7. Revising and rethinking the opportunities of budget organizations in gaining off-budget resources in the extent of international norms and standards leads to increase in the volume of off-budget resources, reduction in public budget spending and eventually improving the methodologies of off-budget resources acquisition process.

Creating and enforcing the national accounting standards for public sector on the basis of international standards for improving the information opportunities of budget organizations financial reports on forming the reports of accountable objects.

Key findings of our series of surveys and studies serves to the improvement and development in accounting and financial reporting methodologies in budget organizations based on international standards. Developing the accounting system in budget organizations based on International Public sector accounting standards (IPSAS) will be a great step towards further economic development in long-term as well as being a short-term forward pace for enhancing the information function of budget accounting under in the condition of treasury execution of public budget.

Conclusive ideas and findings drawn from our research serve as the basis for synchronizing the public sector accounting to international standards and further improvement of information opportunities.

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