

ORGANIZATION OF ANALYZING FINANCIAL POSITION UNDER CONDITIONS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Abstract. In Uzbekistan, the process of transition to international financial reporting standards is currently accelerating and from the end of 2021 major enterprises, joint-stock companies, commercial banks, insurance companies are expected to compile their financial statements in reliance upon international financial reporting standards.

This article is devoted to the consideration of the issues of arranging financial analysis under conditions of the transition to international financial reporting standards. In addition, the article reveals the necessity to properly formulate the information source for such analysis, as well as contains the conclusions aimed at solving this problem.

Key words. international financial reporting standards (IFRS), financial analysis.

Introduction. In the further stages of economic reforms implemented in the Republic of Uzbekistan, as in all areas, significant measures have been undertaken in the field of accounting and audit. In particular, the first Law on Accounting was adopted in 1996, and in 2016, this law was adopted in a new wording in compliance with current requirements (Law, 2016). Initially, national accounting standards were developed in reliance upon the adopted statutory acts. The current national accounting standards have been worked out on the basis of the first adopted law on accounting and other statutory acts enacted at that time.

Meanwhile, when developing national accounting standards, efforts have been made to take into consideration the regulatory requirements of International Financial Reporting Standards (IFRS). Nowadays the current standards are used as the primary guidance document for the accounting of all economic entities.

Currently, economic entities, operating in the Republic of Uzbekistan, are in the process of transition to international financial reporting standards. Initially, certain measures were already undertaken to transition to international financial reporting standards in 2015, and the Resolution of the President of the Republic of Uzbekistan №PR-4720 "On measures to introduce modern corporate governance in joint stock companies"

was adopted on April 24, 2015. The main aim pursued by this Resolution is to attract foreign direct investments, radically raise efficiency of joint-stock companies, ensure their openness and attractiveness to potential investors, introduce modern corporate governance methods, create favorable conditions for strengthening the role of shareholders in strategic management. (Resolution, 2015). Herewith, the objectives set out in this Resolution, serve as the foundation for major joint-stock companies in our country to openly present the results of their activities to the world community and thus provide the information required for various rating indicators.

Speeding up to the transition to international financial reporting standards and the issuance of clear instructions have been implemented in compliance with the adoption of the Resolution of the President of the Republic of Uzbekistan №PR-4611 “On additional measures for the transition to international financial reporting standards” adopted on February 24, 2020. This Resolution determined the primary focus areas for the implementation of international financial reporting standards in the practice of joint stock companies.

Literature review. For this regard we have investigated some research papers by foreign experts. In particular, E.A. Oksanich et al., in their research, focused on the development of a statement of financial position in the context of the transition to international financial reporting standards (E.A. Oksanich et al., 2019).

Kuzina A.F. et al., in one of their research papers, expressed their views on the process of transition to international financial reporting standards by comparing international financial reporting standards and the standards applied in the Russian Federation (Kuzina A.F. et al., 2021).

N.N. Ilysheva and S.I. Krylov have considered the analysis of financial statements under conditions of the transition to international financial reporting standards and suggest four interrelated stages in the analysis (Ilysheva and Krylov, 2013).

Research methodology. In the research process, the relevant literary sources have been analyzed. Moreover, organizing the analysis of the financial position under conditions of the transition to international financial reporting standards has been investigated by means of such research analysis as theoretical study, scientific observation and comparison.

Analysis and results. According to the resolution, beginning from January 1, 2021, joint-stock companies, commercial banks, insurance companies and legal entities included in the category of large taxpayers will organize accounting on the basis of international

financial reporting standards and starting from the end of 2021 prepare financial statements in reliance upon international financial reporting standards (Resolution, 2020).

Meanwhile, the Resolution provides for the exemption of economic entities that voluntarily prepare financial statements in compliance with IFRS from submitting financial statements in accordance with national accounting standards.

It should be noted, that following reports, developed in 2021, the economic entities specified in the Resolution, will prepare reports in compliance with the requirements of international financial reporting standards. Other entities may voluntarily prepare and submit reports on an IFRS basis. This implies that although businesses do not fall into the category of entities, which are subject to the compulsory shift to IFRS, the results of their business activities may be based on IFRSs so that international experts can understand and use the information for external users. This results in some exceptions in the performance of certain analytical operations in addition to accounting, because at present time in compliance with current procedures and regulations all entities in the analysis of their financial condition are based only on the data of reports compiled in reliance upon national standards. In the period of transition to international financial reporting standards and in subsequent period, the reporting data, formulated on the basis of national accounting standards, will not be adequate.

Therefore, in our opinion, under conditions of the transition to international financial reporting standards, it is advisable to develop a separate methodology for the analysis of the financial position, focusing on the reporting period of the entity.

In this regard, if we consider some research conducted by experts, it is obvious that in such conditions it is required to ensure the compliance of accounting and analysis. In particular, E.A Oksanich et al. in their research focus on the formation of a statement of financial position within the framework of the transition to international financial reporting standards. According to the authors, the transition of the accounting system to the international financial reporting standards in the Russian Federation will facilitate enhancing competitiveness (E.A. Oksanich et al., 2019).

The scholar Kuzina A.F et al., in one of their research papers, expressed their views on the process of transition to international financial reporting standards by comparing international financial reporting standards and the standards of the Russian Federation. In their article, they described international financial reporting standards and their application in the Russian Federation, noting that reports based on international financial reporting

standards reflect information more fully, as well as they are also essential for external users of information, including investors. (Kuzina A.F. et al., 2021).

N.N. Ilysheva and S.I. Krylov investigated the analysis of financial statements within the framework of the transition to international financial reporting standards. In reliance upon the conducted research, they express their conceptual views in the analysis of reports compiled on the basis of international financial reporting standards. Herewith they suggest four interrelated stages in the composition of such an analysis. In their opinion, these stages should include preparation, interpretation, calculation and analysis, as well as forecasting (Ilysheva and Krylov, 2013).

In their research, these authors highlight the advantages of the transition to international financial reporting standards and organization of financial reporting analysis on the basis of IFRS, as well as the stages of organization of the financial reporting analysis.

Our research has shown that in the transition to international financial reporting standards, accounting data is generalized in compliance with the requirements of international standards. However, in this process the analysis becomes much more complicated when the initial financial report is prepared and a report is compiled for comparison in the following year.

That is, according to International Financial Reporting Standards №1, it is recommended to cover at least one more year in addition to the reporting year in order for the financial reporting information to be comparable. Therefore, while economic entities in the country submit their annual reports for 2021 by December 31, 2021, if the reports for 2020 are formulated on the basis of national standards, reporting data compiled in reliance upon national and international standard requirements, accounting information creates some difficulty in the analysis due to differences in their composition. In such a process, it will be necessary to either re-compile the financial reporting of 2020 in accordance with the requirements of International Financial Reporting Standards or to wait for a comparable period for 2021.

There is another aspect of the issue that in December 2021, the balance at the beginning of the reporting period on the indicators of financial condition, compiled on the basis of international financial reporting standards, will still be formulated on the basis of national standards. This results in inaccuracies in the analysis of reports based on 2 different standards, as noted above. Therefore, in our opinion, it is advisable to use 2

options when analyzing a previous year's report, which has shifted to the international financial reporting standards.

Under the first option, if there is a necessity for a comparable period in determining certain indicators, the previous year's reports should be transferred to international financial reporting standards.

Under the second option, it is recommended to organize the analysis of the current year's report by analyzing the certain indicators, including some required by external users.

In our opinion, the data for minimum one more actual comparable period for economic entities that have shifted to international financial reporting standards from 2021 in our country will appear at the end of 2022. Therefore, beginning from 2023 there will be possibility to fully compare and analyze financial indicators.

We have proposed to include the stage of formation of financial reporting information in the organization of the analysis in the process of the transition to the international financial reporting standards. This is because within the framework of the transition to international financial reporting standards, the diversity of accounting information, i.e. differences in the formation of information based on the requirements of national and international standards, can affect the results of the analysis in varying degrees.

Conclusion and proposals.

During the period of transition to international financial reporting standards, the reporting data compiled on the basis of the national accounting standards, will not be adequate.

Within the the context of the transition to international financial reporting standards, it is recommended to develop a certain technique of financial analysis, focusing on period, during which the entity compiles its reporting.

Therefore, in our opinion, it is advisable to use 2 options when analyzing a previous year's report, which has shifted to the international financial reporting standards.

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