

## **Improving Uzbekistan's Balance Sheet in Accordance with IFRS: A Step Towards Global Compatibility**

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### ***Abstract***

*This article discusses the process of improving the balance sheet of Uzbekistan in accordance with the International Financial Reporting Standards (IFRS). The current features of the balance sheet in Uzbekistan are indicated and a comparative analysis with IFRS is carried out. The prospects for adapting IFRS in Uzbekistan and recommendations for improving the balance sheet to comply with international standards are also presented.*

**Keywords:** *balance sheet, International Financial Reporting Standards (IFRS), National Accounting Standards of Uzbekistan (NAS), adaptation of IFRS, improvement of accounting, financial statements.*

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## Introduction

A balance sheet is an important financial document that reflects the financial position of an organization as of a certain date. It is a key element of financial reporting and serves as the basis for analysing the financial health and sustainability of a business entity for both internal and external stakeholders. In Uzbekistan, the balance sheet is built in accordance with the National Accounting Standards (NAS), which were developed taking into account the national characteristics of the economic environment and legislation.

However, in the context of economic globalization and Uzbekistan's desire to integrate into international economic relations, there is a need to improve accounting and reporting in accordance with international standards. International Financial Reporting Standards (IFRS) offer a unified approach to the formation of the balance sheet, which makes it easier to compare the financial statements of different companies regardless of their geographical location.

In this context, the adaptation and implementation of IFRS in Uzbekistan seems to be an urgent and significant task. Improving the balance sheet in accordance with IFRS will not only improve the quality and transparency of financial reporting, but also ensure a higher level of confidence on the part of foreign investors and creditors, which in turn contributes to attracting investment and economic growth of the country.

This article discusses the process of improving the balance sheet of Uzbekistan in accordance with IFRS, analyzes the key differences between NAS and IFRS in terms of balance sheet, and offers recommendations for improving the process of forming a balance sheet in the country.

The current structure of the balance sheet in Uzbekistan is based on the National Accounting Standard of the Republic of Uzbekistan (NAS No. 15) "Balance Sheet", approved by the order of the Minister of Finance of the Republic dated March 12, 2003. According to this standard, the balance sheet must represent the assets, equity and liabilities of an economic entity.

The balance sheet is based on two main sections: assets and liabilities.

1. **Assets:** This section includes all the resources that the organization owns on the balance sheet date. Assets are divided into short-term and long-term. Short-term assets are expected to be traded for one year, while long-term assets are intended to be used for a longer time.
2. **Liabilities:** This section represents the organization's liabilities to third parties and equity. Liabilities are also divided into short-term and long-term depending on their maturity. Equity reflects the owners' contribution to the organization and accumulated income.

Each of these sections includes a series of articles that provide granular information and help stakeholders, such as investors, creditors, and company management, better understand the financial situation of the organization.

The theory of the balance sheet is based on the principle of double-entry entry, which means that each economic transaction is recorded in accounting by at least two entries, thus ensuring equality between the amount of assets and the amount of liabilities and equity. This is the fundamental principle underlying the structure of the balance sheet and all accounting.

## International Accounting Standards (IFRS) and Balance Sheet

International Accounting Standards (IFRS) are a set of standards developed by the International Accounting Standards Board (IASB) with the aim of harmonizing accounting and reporting

approaches in different countries. The use of IFRS contributes to improving the comparability, transparency and reliability of financial statements, which in turn increases the confidence of investors and creditors in the financial information of companies.

The main aspects affecting the balance sheet in the context of IFRS include:

- 1. Presentation format:** IFRS provide for a more flexible approach to the balance sheet format, as opposed to the strictly regulated format that may be prescribed by national legislation. This allows companies to present information in a more understandable and informative way for users.
- 2. Valuation of assets and liabilities:** IFRS often require the use of fair value to measure certain assets and liabilities, which can significantly alter their accounting value on the balance sheet.
- 3. Classification of assets and liabilities:** Under IFRS, the classification of some balance sheet items may be changed, which in turn will affect their presentation on the balance sheet.
- 4. Disclosure:** IFRS places great emphasis on disclosures in the notes to the balance sheet, which helps users better understand a company's financial position and results of operations.
- 5. Comprehensive approach to reporting:** IFRS provide a comprehensive approach to reporting, including the balance sheet, income statement, statement of capital and statement of cash flows, which helps to provide a more complete picture of a company's financial position.

When transitioning to IFRS, companies in Uzbekistan may face the need to adapt their accounting systems and processes to meet the new requirements. This may include changing policies for valuing and accounting for assets and liabilities, updating accounting systems, and training staff on new standards and procedures.

The transition to IFRS in Uzbekistan can contribute to a higher level of compliance with international standards in the field of financial reporting and improve the perception of Uzbek business in the international arena.

### **Comparative analysis of the main differences in the structure and content of the balance sheet under NAS and IFRS**

Comparative analysis of the balance sheet in the context of the National Accounting Standards of the Republic of Uzbekistan (NAS) and International Financial Reporting Standards (IFRS) allows us to identify the main differences and similarities between these two approaches. This analysis can be useful for understanding the potential changes that may occur in the accounting system of Uzbekistan during the transition to IFRS.

#### **1. Balance sheet structure:**

- **NAS:** The structure of the NAS balance sheet includes the division of assets and liabilities into current and long-term, as well as the presentation of equity.
- **IFRS:** IFRS also provide for the separation of assets and liabilities into current and non-current liabilities, but with more flexibility in the presentation and classification of individual items.

#### **2. Valuation of assets and liabilities:**

- **NAS:** In most cases, assets and liabilities are measured at historical cost.

- **IFRS:** Provides for the possibility of measuring certain assets and liabilities at fair value, which may lead to significant differences in measurement.
- 3. Disclosure:**
  - **NAS:** Disclosure requirements may be less stringent than in IFRS.
  - **IFRS:** Provide for more extensive disclosure of information in the notes to the balance sheet, which improves transparency and understanding of the company's financial position.
- 4. Accounting principles:**
  - **NAS:** Accounting principles are determined by national legislation.
  - **IFRSs:** Based on internationally recognized accounting principles, which can provide a higher level of comparability and understanding of financial statements.
- 5. Approach to reporting:**
  - **NAS:** May have more stringent and detailed requirements for the format and content of the balance sheet.
  - **IFRS:** Offer a more flexible approach, allowing companies to adapt the balance sheet format to their needs and the nature of their activities.

Comparative analysis shows that the transition to IFRS may require significant changes in approaches to accounting and reporting in Uzbekistan, which in turn may affect the formation and presentation of the balance sheet of companies.

### **Prospects for the adaptation of IFRS in Uzbekistan**

The President of the Republic of Uzbekistan Shavkat Mirziyoyev in his Resolution No. PP-4611 dated February 24, 2020 "On additional measures for the transition to International Financial Reporting Standards" stressed the need for an accelerated transition to International Financial Reporting Standards (IFRS). The main objective of this transition is to create a favorable information environment for foreign investors and expand opportunities for access to international financial markets. From January 1, 2021, certain categories of legal entities, including joint-stock companies, commercial banks, insurance organizations and large taxpayers, switched to IFRS-based accounting, starting from the results of 2021. This is an important step towards global interoperability in the field of financial reporting and improving the balance sheet in Uzbekistan.

At the same time, the adoption of IFRS requires serious preparation not only on the part of companies, but also on the part of government agencies and the professional community of accountants and auditors. At the moment, various measures are being taken to improve the skills of specialists in the field of accounting and auditing according to international standards.

Thus, the adaptation of IFRS in Uzbekistan is a strategic direction that contributes to bringing the national accounting and reporting system in line with international standards. This is important for increasing the transparency and comparability of financial reporting of Uzbek companies at the international level, which in turn contributes to attracting foreign investment and integrating Uzbekistan into the global economic system.

### **Conclusion**

The analysis shows that the process of adaptation of International Financial Reporting Standards (IFRS) in Uzbekistan is actively developing, thanks to state support and a strategic plan for the

transition to international standards. The introduction of IFRS will significantly improve the quality and transparency of financial reporting, which, in turn, will improve the investment climate in the country.

The current structure of the balance sheet in Uzbekistan has its own peculiarities, including specific sections and indicators reflecting the operations of economic entities. A comparative analysis of the structure of the balance sheet under NAS and IFRS revealed a number of differences that should be taken into account when adapting international standards.

However, despite the differences and challenges identified, the prospects for adapting IFRS in Uzbekistan are very encouraging. Legislative initiatives that have already been adopted, as well as plans to further improve the accounting and reporting system, indicate the country's desire to comply with international standards.

Overall, the process of adapting IFRS in Uzbekistan appears to be a very positive step towards the country's integration into the international economic community. This also contributes to the creation of a favorable investment climate and the improvement of Uzbekistan's business reputation in the international arena.

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