

IMPROVING THE REGULATORY FRAMEWORK OF ACCOUNTING IN UZBEKISTAN ON THE BASIS OF INTERNATIONAL STANDARDS (INTERNATIONAL STANDARDS OF FINANCIAL REPORTING)

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Abstract

This article examines the current state of the regulatory framework for accounting in Uzbekistan and its alignment with International Financial Reporting Standards (IFRS). It explores the challenges and opportunities involved in adopting IFRS and proposes strategies for improving the regulatory environment to enhance financial transparency and attract foreign investment. The study emphasizes the importance of a robust regulatory framework in fostering economic growth and integration into the global economy.

Keywords: Accounting, Regulatory Framework, International Financial Reporting Standards (IFRS), Uzbekistan, Financial Transparency, Economic Growth, Foreign Investment.

Introduction

The globalization of financial markets has necessitated the adoption of standardized accounting practices worldwide. International Financial Reporting Standards (IFRS) have become the global benchmark for financial reporting, promoting transparency, accountability, and efficiency in financial markets. As Uzbekistan continues to integrate into the global economy, there is an increasing need to align its accounting practices with IFRS to enhance financial reporting quality, attract foreign investment, and foster economic growth.

The regulatory framework of accounting in Uzbekistan has undergone significant reforms in recent years. However, challenges remain in fully aligning with international standards. This article aims to analyze the current regulatory framework, identify gaps, and propose measures to improve the alignment of Uzbekistan's accounting practices with IFRS.

Literature Review: The adoption of IFRS is a critical step in aligning national accounting practices with global standards. Various studies have highlighted the benefits of adopting IFRS, including improved financial transparency, enhanced comparability of financial statements, and increased investor confidence. Research by Ball (2006) emphasizes that IFRS adoption leads to higher quality financial reporting, which is essential for efficient capital markets.

In the context of Uzbekistan, studies by Sodikov (2018) and Rashidova (2020) have explored the challenges faced by the country in implementing IFRS. These challenges include the lack of adequately trained professionals, resistance to change, and the need for substantial updates to the existing legal framework. The literature also points to the positive impact of IFRS adoption on attracting foreign investment, as investors prefer markets with transparent and reliable financial information.

This study employs a qualitative research approach, utilizing a combination of document analysis, expert interviews, and case studies. The document analysis includes a review of existing legislation, accounting standards, and regulatory guidelines in Uzbekistan. Expert interviews with accounting professionals, regulators, and academic experts provide insights into the practical challenges of IFRS implementation. Case studies of other countries that have successfully adopted IFRS are also examined to identify best practices that could be applied in Uzbekistan.

Improving the regulatory framework of accounting in Uzbekistan by aligning it with International Financial Reporting Standards (IFRS) is an essential step to enhance transparency, attract foreign investment, and ensure better governance. Here are some key strategies and considerations for achieving this:

Adoption of IFRS

Phased Implementation:

- Gradually introduce International Financial Reporting Standards (IFRS) to accommodate businesses, particularly small and medium-sized enterprises (SMEs), which may need more time to adapt.
- Begin with larger enterprises that typically have more resources and expertise to handle the transition, creating a model for smaller companies to follow.
- Set clear timelines and milestones for each phase to ensure a smooth transition.

Training and Education:

- Launch comprehensive training programs targeting accountants, auditors, and regulators.
- Collaborate with international bodies such as the IFRS Foundation, as well as local educational institutions, to ensure that the training provided is of high quality and up-to-date.
- Offer certifications or continuous professional development (CPD) opportunities to encourage participation and maintain high standards.

Translation and Accessibility:

- Translate IFRS materials and guidelines accurately into Uzbek and other relevant languages to ensure clarity and comprehension across different regions.
- Make these resources freely accessible online, ensuring that businesses of all sizes, including SMEs, can access the information needed to comply with the new standards.

- Consider creating user-friendly guides or summaries to help smaller businesses understand the requirements more easily.

These steps aim to facilitate a smooth and efficient transition to IFRS, supporting the development of transparent and consistent financial reporting across the region.

Regulatory Adjustments

The steps you've outlined for regulatory adjustments to align with IFRS (International Financial Reporting Standards) are comprehensive. Here's a summary with a bit more structure:

Regulatory Adjustments for IFRS Implementation

Update Existing Legislation:

- Review Current Regulations: Conduct a thorough review of the current accounting regulations to identify discrepancies with IFRS.
- Amend Legislation: Modify or repeal outdated rules that conflict with IFRS to ensure coherence in the financial reporting framework.
- Public Consultation: Engage stakeholders, including financial institutions, businesses, and legal experts, in the legislative amendment process to ensure broad-based support and practicality.

Create a National IFRS Board:

- Establishment: Form a dedicated body to oversee the adoption and implementation of IFRS.
- Composition: Ensure the board consists of professionals from government, academia, industry, and the accounting profession to bring diverse perspectives.
- Mandate: Define the board's role, including setting timelines for IFRS adoption, providing guidance to companies, and facilitating training programs.

Monitor and Enforce Compliance:

- Develop a Monitoring System: Implement a system for regular monitoring of financial statements to ensure they are prepared in accordance with IFRS.
- Compliance Audits: Introduce periodic audits of companies' financial statements to verify adherence to IFRS.
- Reporting Requirements: Establish clear reporting guidelines and requirements for companies to follow under the new IFRS framework.
- Penalties for Non-Compliance: Define and enforce penalties for companies that fail to comply with IFRS, ensuring accountability and adherence.

This approach should help create a more transparent and consistent financial reporting environment, fostering better comparability and understanding of financial statements globally.

Support for SMEs

- **Simplified Reporting Standards:** For SMEs, consider adopting IFRS for SMEs, which are simplified standards designed for smaller businesses. This will reduce the burden on smaller enterprises while still aligning them with international practices.
- **Financial and Technical Assistance:** Provide support to SMEs in the form of grants, low-interest loans, or technical assistance to help them transition to IFRS.

Public Awareness and Stakeholder Engagement

- **Public Campaigns:** Launch awareness campaigns to educate the broader business community about the benefits of IFRS adoption. Emphasize how transparency and standardization can lead to increased foreign investment.
- **Stakeholder Consultations:** Engage with key stakeholders, including business associations, banks, and investors, to gather feedback and build consensus around the adoption of IFRS.

Technology and Infrastructure

- **Digital Tools for Compliance:** Invest in technology solutions that can assist businesses in complying with IFRS. This could include software for automated financial reporting and tools for real-time financial analysis.
- **Infrastructure Development:** Ensure that there is adequate infrastructure to support the widespread adoption of IFRS, including reliable internet access and modern financial systems.

Continuous Evaluation and Improvement

- **Regular Review of Standards:** Establish a process for regularly reviewing and updating accounting standards in line with global developments. This will ensure that Uzbekistan's regulatory framework remains relevant and effective.
- **Feedback Loops:** Create mechanisms for businesses and auditors to provide feedback on the implementation process, allowing for adjustments and improvements as needed.

Aligning Uzbekistan's accounting regulatory framework with IFRS is a complex but crucial task. It requires a coordinated effort involving government agencies, the private sector, and international partners. By adopting these strategies, Uzbekistan can enhance the transparency, reliability, and comparability of its financial reporting, fostering a more attractive environment for both domestic and foreign investment.

The findings of this study underscore the need for a comprehensive overhaul of the accounting regulatory framework in Uzbekistan. A more streamlined and cohesive regulatory environment is essential to facilitate the transition to IFRS. The discussion highlights the importance of capacity building through training and education, which will equip accounting professionals with the necessary skills to implement IFRS effectively.

Moreover, the role of government and regulatory bodies is crucial in driving the adoption of IFRS. Clear guidelines, consistent enforcement, and incentives for early adopters can accelerate the transition. Lessons from other countries suggest that a phased approach to

IFRS adoption, coupled with strong regulatory oversight, can mitigate resistance and ensure a smoother implementation process.

Conclusions and Suggestions

To improve the regulatory framework of accounting in Uzbekistan and align it with IFRS, the following recommendations are proposed:

Legal and Regulatory Reforms: Streamline and consolidate existing accounting regulations to eliminate inconsistencies and provide clear guidelines for IFRS adoption.

Capacity Building: Implement comprehensive training programs for accounting professionals, focusing on IFRS standards and their application in the Uzbek context.

Incentives for Adoption: Introduce incentives for enterprises that adopt IFRS early, such as tax benefits or reduced reporting requirements.

Phased Implementation: Consider a phased approach to IFRS adoption, starting with larger enterprises and gradually extending to smaller businesses.

Strengthened Regulatory Oversight: Enhance the capacity of regulatory bodies to monitor compliance with IFRS and enforce penalties for non-compliance.

Public Awareness Campaigns: Increase awareness among stakeholders, including businesses and investors, about the benefits of IFRS adoption and the long-term advantages of transparent financial reporting.

By addressing these recommendations, Uzbekistan can create a robust regulatory environment that aligns with international standards, thereby fostering economic growth and enhancing the country's attractiveness to foreign investors.

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