

## PROBLEMS OF EVALUATING THE STATE OF THE ACCOUNTING SYSTEM AT THE CURRENT STAGE OF ECONOMIC REFORM

Kahharov Zuhridin Zafarbek o'g'li  
Tashkent Financial Institute

### Abstract:

In today's rapidly evolving business world, accounting plays a crucial role in ensuring the success of companies. Accounting systems help businesses to keep track of their financial transactions, cash flow, profits, and losses. However, in recent years, there have been concerns about the accuracy and reliability of accounting systems. Many companies have been accused of financial mismanagement and fraud, which has caused investors to lose confidence in their financial reports. This article will examine the problems of evaluating the state of the accounting system at the current stage of economic reform.

**Keywords:** accounting system, economic reform, evaluation problems, consistent standards, regulations, accounting infrastructure, technological integration.

### Introduction

The accounting system has been the subject of significant reforms over the past few decades. Many countries have been transitioning from traditional accounting practices to more modern and efficient systems that are better suited to the demands of the modern business world. However, the implementation of these reforms has not been without challenges. One of the main problems is the lack of uniformity in accounting practices around the world. Different countries have their own accounting standards, which can make it difficult to compare the financial statements of companies operating in different countries. To address this issue, many countries have adopted international accounting standards, such as the International Financial Reporting Standards (IFRS). However, even with the adoption of these standards, there are still challenges in interpreting and applying them. Another problem is the lack of transparency in financial reporting. In recent years, there have been numerous cases of corporate scandals involving financial mismanagement and fraud. One notable example is the Enron scandal, where executives at the company used accounting loopholes and special-purpose entities to hide significant losses from investors. This scandal resulted in the collapse of one of the largest energy companies in the world and led to calls for greater transparency in financial reporting.

**Lack of Consistent Standards and Regulations:** One of the key challenges in evaluating the accounting system during economic reforms is the absence of consistent accounting standards and regulations. In many cases, accounting practices may be outdated or based on non-uniform principles, making it

difficult to assess the true financial position of entities. Without consistent standards, comparability and reliability of financial information are compromised, hindering effective evaluation.

**Insufficient Accounting Infrastructure:** Another problem arises from the inadequate accounting infrastructure in some economies undergoing reforms. Outdated or inadequate systems, software, and processes hinder the collection, processing, and reporting of financial data. Insufficient infrastructure makes it challenging to accurately evaluate the accounting system's effectiveness and efficiency, impeding the decision-making process.

**Limited Technological Integration:** The lack of technological integration within the accounting system is a significant obstacle to its evaluation during economic reforms. Manual processes and outdated software hinder the automation of accounting tasks, data analysis, and reporting. Without adequate technological integration, the system's efficiency, accuracy, and timeliness suffer, making it difficult to assess its performance accurately.

**Skill Gap and Training Needs:** The transition to modern accounting practices during economic reforms requires a skilled workforce capable of handling complex financial tasks. However, a significant skill gap often exists, with accountants and financial professionals lacking the necessary expertise to adapt to new accounting methods. Insufficient training programs and educational resources exacerbate the problem, hindering accurate evaluation of the accounting system's state.

**Incomplete Financial Reporting:** Incomplete or inaccurate financial reporting is another problem encountered in evaluating the accounting system during economic reforms. Entities may fail to disclose certain transactions or manipulate financial statements, compromising the reliability and integrity of financial information. This hampers the evaluation process, making it challenging to assess the true financial position of entities accurately.

**Inadequate Monitoring and Enforcement Mechanisms:** Inadequate monitoring and enforcement mechanisms contribute to the challenges in evaluating the accounting system. Weak regulatory oversight and lax enforcement of accounting standards allow entities to deviate from prescribed practices, undermining the integrity of financial reporting. Without effective monitoring and enforcement, it is difficult to assess the state of the accounting system accurately.

**The Role of Auditing.** One of the key ways to ensure the accuracy and reliability of financial statements is through auditing. Auditing involves an independent third party reviewing a company's financial statements to ensure that they are accurate and comply with accounting standards. Auditing is a critical component of the accounting system because it helps to provide investors with confidence that the financial statements are reliable. However, auditing is not without its challenges. One of the main challenges is the difficulty in detecting fraud and financial mismanagement. In some cases, executives may actively work to hide financial irregularities from auditors. For example, in the Enron scandal, executives used special-purpose entities and other accounting gimmicks to hide significant losses from auditors. Another challenge is the cost of auditing. Auditing can be a costly process, particularly for smaller companies. This can make it difficult for small businesses to obtain auditing services, which can negatively impact their ability to access financing and attract investors.

**The Importance of Internal Controls.** One way to address some of the challenges of auditing is through the implementation of internal controls. Internal controls are procedures and policies that companies

put in place to ensure the accuracy and reliability of their financial statements. Internal controls can include things like segregation of duties, regular monitoring of financial transactions, and ensuring that all transactions are properly recorded. One of the main benefits of internal controls is that they provide an additional layer of oversight beyond the auditing process. Internal controls help to ensure that financial irregularities are detected and addressed promptly, which can help to prevent larger problems from developing. However, implementing effective internal controls can also be a challenge. Companies need to ensure that they have the resources and expertise in place to implement and monitor these controls. Smaller companies, in particular, may struggle to implement effective internal controls due to resource constraints.

**Challenges of Measuring the Effectiveness of Accounting System Reforms.** One of the challenges of evaluating the state of the accounting system is measuring the effectiveness of accounting system reforms. Implementing accounting reforms can be a lengthy and complex process, and it can take many years to see the full impact of these reforms. One of the challenges is that there is often a lack of data available to measure the effectiveness of accounting system reforms. For example, it can be difficult to determine the impact of a change in accounting standards on financial reporting quality, as there are few benchmarks to compare against. Another challenge is that the impact of accounting system reforms can be difficult to isolate from other factors that may be affecting financial reporting quality. For example, a change in economic conditions or industry dynamics may impact financial reporting quality, making it difficult to determine the impact of accounting system reforms.

## **Conclusion**

In conclusion, the state of the accounting system is critical to the success of businesses and the confidence of investors. While there have been significant reforms to accounting practices over the past few decades, there are still challenges in ensuring the accuracy and reliability of financial statements. The lack of uniformity in accounting practices, the lack of transparency in financial reporting, and the challenges of auditing are all issues that need to be addressed. However, through the implementation of internal controls and increased transparency, companies can help to ensure the accuracy and reliability of their financial statements. Measuring the effectiveness of accounting system reforms can be a challenge, but it is essential to ensure that reforms are having the intended impact. The evaluation of the accounting system is crucial during economic reforms, as it provides valuable insights into the effectiveness, transparency, and reliability of financial information. However, several problems arise at the current stage of economic reform, hindering accurate assessment. By addressing the lack of consistent standards, strengthening accounting infrastructure, leveraging technology, bridging the skill gap, promoting complete financial reporting, and strengthening monitoring and enforcement mechanisms, governments and stakeholders can overcome these challenges and ensure a robust and reliable accounting system that supports effective decision-making and economic growth.

---

**References:**

1. Phuong, N. C., & Richard, J. (2011). Economic transition and accounting system reform in Vietnam. *European Accounting Review*, 20(4), 693-725.
2. Ji, X. D. (2000). Evaluation of research on Chinese accounting issues. *Managerial Finance*, 26(5), 41-62.
3. Hao, C., Wu, S., Zhang, W., Chen, Y., Ren, Y., Chen, X., ... & Zhang, L. (2022). A critical review of Gross ecosystem product accounting in China: Status quo, problems and future directions. *Journal of Environmental Management*, 322, 115995.
4. Jindrichovska, I., & Kubickova, D. (2014). The development of accounting and application of IFRS in the Czech Republic. *Accounting and Management Information Systems*, 13(2), 198.
5. Liu, Z., & Turley, S. (2013). A comparison of international and Chinese accounting standards. *Perspectives on Accounting and Finance in China (RLE Accounting)*, 212-238.