



## INTEGRATION OF UZBEKISTAN INTO THE WORLD ECONOMIC COMMUNITY WITHIN THE FRAMEWORK OF ACCOUNTING STANDARDIZATION ON THE BASIS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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**Abstract:** Modernization of economic entities of Uzbekistan, increasing the value of accounting in the context of technical and technological re-equipment, reforming the existing accounting in the country and reporting in accordance with the requirements of modern national and international economy.

Transition to international standards will ensure that Uzbekistan's export-oriented economy will have access to foreign markets and access to soft loans from foreign banks. To do this, the article emphasizes the need to introduce an international accounting and reporting system, which is a key condition for integration into the world economic community. It was also noted that the application of international standards in Uzbekistan and the impact of its achievements on the economy and the attraction of large-scale investment. Scientific views of foreign and domestic scientists on the application of international standards are also cited. In general, this article emphasizes the need to introduce an international accounting and reporting

system, which is a prerequisite for integration into the world economic

community, and as a result draws scientifically sound conclusions.

In general, this article emphasizes the need to introduce an international accounting and reporting system, which is a prerequisite for integration into the world economic community, and as a result draws scientifically sound conclusions. It is also necessary to introduce an international accounting and reporting system, which is a prerequisite for integration into the world economic community in order to strengthen the export-oriented economy of Uzbekistan to access foreign markets and create access to soft loans from foreign banks.

The authors present their views and suggestions on the principles and rules set out in IFRSs, which represent an international system of standard principles for the preparation and presentation of financial statements that are widely used in many countries.

In the context of modernization, technical and technological re-equipment of economic entities of Uzbekistan, the value of



*the accounting system is growing. Reforming the existing accounting and reporting system in our country in accordance with the requirements of the modern national and international economy is the most urgent and important condition of the economy today.*

*Recommendations and proposals have been made to introduce an international accounting and reporting system, which is a*

**Introduction.** Value of system of accounting increases in conditions of modernization, technical and technological rearmament of economic subjects of Uzbekistan. Now one of the most actual problems of economy is reforming of system of accounting existing in the country and the reporting in compliance with requirements of modern national and international economy [1].

The export-oriented economy of Uzbekistan intends to strengthen the penetration on the foreign markets and to have an opportunity of use of soft loans of foreign banks. For this purpose it is necessary to introduce the international system of the account and the reporting that is the main condition of integration into world economic community.

IFRS represent the international system of the standard principles of preparation and providing financial statements which are widely applied in many countries. For the investor there is no basic difference, in what country to invest the capital. The difference becomes noticeable when the investor isn't confident in efficiency of a contribution of the capital. In order that the financial statements were transparent and met the international requirements it is necessary to observe the principles and the rules stated in IFRS. These standards, first of all, are necessary to those economic subjects:

*key condition for integration into the world economic community in order to strengthen the access of Uzbekistan's export-oriented economy to foreign markets and access to soft loans from foreign banks.*

**Keywords:** *international accounting, modernization, IFRS, financial statements, capital, balance sheet, assets.*

- who needs in attraction of the foreign capital;
- who already has partner or promotional communications with foreign investors;
- trying to enter with the production the international commodity markets.

Development and entry into the international markets is carried out by means of performance of the directions which promote economic development. The intensification of production and increase of its efficiency becomes the main direction of development of national economy. In decisions of the government need of consecutive improvement of management with economy taking into account increasing scales of the production, becoming complicated economic relations, requirements of scientific and technical progress for the maximum use of opportunities of economic capacity of the republic is emphasized.

Big role in the solution of these tasks will play rationally organized account and the reporting on the basis of IFRS. In this regard reform which is directed on improvement of quality and efficiency of the account, improvement of registration documentation and the reporting in all branches in relation to modern requirements of management and the analysis of economic activity with effective use of these International Financial Reporting Standards is carried out.

It is known that accounting, being system of collecting, processing and submission of financial information to a wide range of users, plays the major role in development of market economy. In this regard in our country National standards of accounting which are approached to International Financial Reporting Standards taking into account features of our economy are developed and entered.

Thus, at this stage of reforming of accounting of a problem of acceptance and introduction of new standards of financial statements in Uzbekistan and a way of their decision are very actual.

It is possible to carry the following to the purposes of reforming of accounting and the reporting of the Republic of Uzbekistan:

- creation of conditions for introduction of system of effective regulation of the processes which are taking place in economy of the republic;
- approach of system of accounting, and also National standards of accounting to the International Financial Reporting Standards (IFRS);
- timely identification on the basis of system of collecting, processing and information transfer of retrospective tendencies of development of economy, forecasting and an assessment of consequences of administrative decisions.

The main measures for achievement of goals of reforming of accounting and financial statements consist of the solution of the following problems:

- revision of all-methodological bases of accounting and financial statements and its reduction according to standard in world practice;
- formation of system of national standards of accounting (NSA) and the financial statements, providing users useful information of financial character;

- ensuring interrelation of reform of accounting and financial statements with the main tendencies of harmonization of standards at the international level;
- rendering the methodical help to managing subjects in understanding and introduction of the IFRS of model of national system of accounting modernized and approached to requirements and drawing up financial statements;

- high-quality preparation and retraining of personnel in the field of accounting on the basis of the training program developed taking into account requirements of IFRS.

**Materials and Method.** Process of reforming of system of accounting and financial statements in Uzbekistan can be divided into three stages.

At the first stage (1992 - 1997) the following legislative regulations on accounting were accepted and introduced in practice:

- in 1992 on January 1 in the Republic of Uzbekistan new book of accounts of accounting was introduced. This year the Law "About Auditor Activity" was adopted;
- State program of transition of the Republic of Uzbekistan on the systems of the account accepted in the international practice and statisticians (it is approved as the Resolution of the Cabinet of the Republic of Uzbekistan of 24.08.1994 No. 433);
- The provision on accounting and the reporting in the Republic of Uzbekistan (it is approved as the Resolution of the Cabinet of the Republic of Uzbekistan of 26.03.1994 No. 164);
- The provision on structure of expenses on production and production realization (works, services), included in product cost (works, services) and about an order of formation of financial results (it is approved as the Resolution of the Ministry of Finance, the State committee of forecasting and



statistics and the State tax committee of January 1, 1995);

- The law of the Republic of Uzbekistan "About accounting", adopted Oliy Mazhlis of the Republic of Uzbekistan of August 30, 1996;
- The order of the Ministry of Finance of the Republic of Uzbekistan from 15.01.1997 No. 5 "About the statement of forms and volume of annual and quarter financial statements of the enterprises (organizations)" (No. 338 of 06.05.1997).

Acceptance and gradual introduction in practice of the account and the reporting of these regulations began radical reforming before existing system of accounting.

The second stage (1998 - 2001) is marked by acceptance and the approval of the following important standards:

- Conceptual basis for preparation and submission of financial statements (It is registered by Ministry of Justice of 14.08.1998 No. 475, it is approved by the Ministry of Finance of 26.07.1998 No. 17-07/86);
- National standards of accounting of the Republic of Uzbekistan (NSA) No. 1 "Accounting policies and financial statements" - No. 20 "About an order of the simplified maintaining the account and drawing up the reporting by subjects of small business", except No. 14 "The report on own capital", No. 15 "Balance sheet";
- The provision on structure of expenses on production and production realization (works, services) and about an order of formation of financial results (The resolution of the Cabinet of the Republic of Uzbekistan of 05.02.1999).

Therefore, at the second stage the majority of the National Standards of Accounting (NSA), and also very important legislative statutory act – the Provision on structure of expenses on production and production realization (works, services) and

about an order of formation of financial results (No. 54) which cleared up many questions connected with the taxation, definition of financial result and drawing up financial statements is accepted.

**Results.** Achievements of the third stage (since 2002 – to the present) are reduced to further improvement of legislative base on accounting and are presented by the following acts:

- The resolution of the Cabinet of the Republic of Uzbekistan of 25.06.2002 No. 227 "About measures for further improvement of statistical and financial statements";
- National standards of accounting of the Republic of Uzbekistan (NSA) No. 14 "The report on own capital", No. 15 "Balance sheet", No. 21 "Book of accounts of accounting of financial and economic activity of managing subjects", No. 22 "The accounting of assets and the obligations expressed in foreign currency", No. 23 "Formation of financial statements at reorganization implementation" and No. 24 "The accounting of expenses on loans";
- National standards of accounting in the new edition (No. 4 "Inventory holdings", No. 5 "Fixed assets", No. 6 "Accounting of rent", No. 7 "Intangible assets");
- Forms of financial statements and the rule on their filling (The order of the Ministry of Finance No. 140 of 27.12.2002, per. Ministry of Justice No. 1209 from 24.01.2003г. );

At this stage of economic development, diversification and modernization of economy it is necessary to consider and resolve some problem issues on separate objects of accounting: revaluation of fixed assets, the account and registration of powers of attorney, improvement of a form of documents and document flow, reflection in the accounting of shortages and surplus of property, rent

and leasing operations, foreign currency operations, tax privileges, the account in privatization and investment funds, the accounting of raw materials supplied by the customer and others.

Thus, the third stage is characterized by further improvement and reforming of already existing legislative base on accounting with adoption of various Provisions according to the accounting of separate objects.

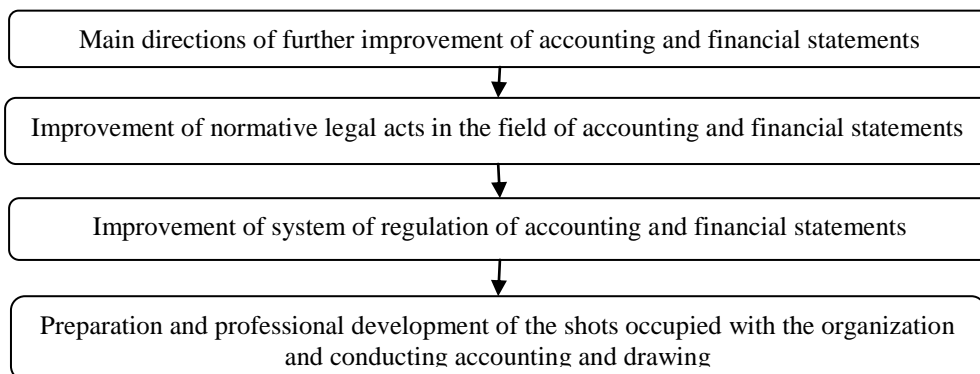
It should be noted that reforms of accounting and the financial statements, carried out in our republic, are focused not on direct loan and copying of the International Financial Reporting Standards (IFRS) by the enterprises, and on application of the National Standards of Accounting (NSA) adapted for requirements of IFRS taking into account features of our economy.

The moments in the course of reforming of system of accounting and financial statements in Uzbekistan acceptance, in addition to already existing, new National standards of the accounting, approached to IFRS is key. In this regard it should be noted some problems connected with introduction of International Financial Reporting Standards in practice of Uzbekistan. It is possible to carry to that:

- absence of the official version of transfer of IFRS in the Uzbek and Russian languages;
- lack of the official status of the financial statements made on IFRS;

- weak development of necessary infrastructure of use and application of IFRS;
- existence at the majority of representatives of an accounting profession of the certain stereotypes connected with transition to system of accounting and financial statements, based on IFRS in connection with available specific features of national economy;
- unfairly high costs of managing subjects of preparation of financial statements on IFRS by transformation of the financial statements prepared on national standards of accounting;
- low professional standard of considerable part of accountants, and also insufficiency of skills of use of information prepared on IFRS;
- lack of textbooks, grants and reference materials on IFRS;

The above-stated questions were repeatedly considered at conferences and the seminars organized by financial institutions and with direct participation of specialists of the Ministry of Finance of the Republic of Uzbekistan. The solution of problems of the above questions seems through a prism of the solution of the following questions (fig. 1):



Improvement of normative legal acts in the field of accounting and financial statements assumes development, such as:

- IFRS (IAS) 24 "Disclosure of information on the related parties";
- IFRS (IAS) 28 "The accounting of investments into the associated organizations";
- IFRS (IAS) 31 "Participation in joint activity";
- IFRS (IAS) 33 "Profit on an action";
- IFRS (IAS) 36 "Depreciation of assets";
- IFRS (IAS) 40 "Investment real estate"[3].

**Discussion.** It is necessary to understand actions as improvement of system of regulation of accounting and financial statements on:

- coordination of activity of government bodies and professional public associations in accounting regulation;
- to inclusion of professional community in process of development and adoption of normative documents on accounting;
- to interaction with the international professional organizations (IFAC, IASC, ESSBA, etc.).

Preparation and professional development of the shots occupied with the organization and conducting accounting and drawing up financial statements assumes:

- reorientation of training programs of higher educational institutions and programs of preparation of professional accountants and auditors to profound studying of NSA and IFRS;
- monitoring of quality of training programs of higher educational institutions and programs of preparation of professional accountants and auditors;
- development of programs of training of heads and other administrative personnel of managing subjects to bases of accounting

and the economic analysis of financial statements;

- ensuring compliance of training programs of preparation of professional accountants and auditors to the appropriate international programs;
- development of national standards of education and certification of professional accountants on the basis of standards of the International federation of accountants;
- updating and development of new educational and methodical ensuring educational process for various categories being trained in accounting and financial statements.

The study of IFRS methodology should begin with the principles set out in the Framework for the Preparation of Financial Statements. This document is not standard and does not have a number, but it does provide a clear basis for understanding IFRS. The principles set out in it are based on concepts [4].

Economist Yigit Bora Senyigit (2012) argues that the development of harmonization of financial statements for insurance companies is closely linked to international standards. As insurance companies operating in Turkey compete in the global financial market, it is important for them to understand the latest changes in the IFRS [5].

Janina Mühlnickel, Gregor N.F. Weiß (2015) Contracting activities aimed at minimizing costs in insurance companies or in all economic entities in general play an important role in the formation of consolidated financial statements. As a result, the number and type of insurance companies are closely linked to the internal audit service [6].

Petrova (2008) preparation of financial statements of insurance companies, the balance sheet and a set of indicators based



on the accounting data and reporting forms reflected in its appendices [7].

M. Marpatov (2016) focused on the issues of harmonization of the financial statements with international standards [8].

In the scientific works of A. Pardaev, U. Kostaev (2020) the theoretical, methodological and practical aspects of financial reporting are analyzed and studied [9].

Prof. A.Karimov Uzbekistan's integration into world business necessitates the submission of financial statements of local businesses interested in cooperating with international investors in a clear, transparent, reliable and clear manner in accordance with recognized rules in accordance with the requirements of international standards. In order to improve investment policy and attract foreign investment in ensuring political and macroeconomic stability, a number of positive steps should be taken in the field of accounting and auditing in accordance with international standards [10].

Khidirova (2021): "One of the main tasks of developing countries is to provide foreign investors with the necessary information environment and expand access to international financial markets by accelerating the transition to international financial reporting standards, as well as improving the system of training specialists in accounting and auditing according to international standards"[11].

According to PhD M. Khojiyev, (2020) "Uzbekistan's export-oriented economy will be strengthened through the introduction of international accounting and reporting practices, which will radically change the system of internal control of large businesses"[12] emphasizes.

C. Tashnazarov (2016) notes the following. At present, corporate governance

joint-stock companies are moving to the preparation of financial statements in accordance with international standards. This can be achieved by directly preparing financial statements based on international standards or by transforming financial statements based on national standards into international standards. The first way is to achieve accurate and quality financial reporting based on international standards [13].

PhD M.Abduraimova (2020) the process of establishing international standards of financial reporting in the network characteristics of insurance companies is an objective situation aimed at the reliability of insurance business information. "International financial reporting standards in insurance companies consist of a regulated system of collecting, recording and summarizing accounting information through a holistic, continuous, documentary accounting of all business transactions, as well as the preparation of financial and other reports on its basis. Accounting is carried out in a double-entry method by reflecting the business transaction in at least two accounting accounts at the same time and in an interconnected way, with a monetary valuation. This, in turn, suggests that "it is important to analyze the status of insurance reserves in the second part of the liabilities used in the long-term and short-term assets of the asset section of the balance sheet of the insurance organization and the balance of assets and liabilities of the balance sheet through the formation of interdependence allows to assess the quality of accounting activities under its management and strategic management policy [14].

O. Sobirov (2021) noted that the conduct of financial reporting in all businesses at the level of international



standards (IFRS) leads to an increase in foreign investment in the economy [15].

### **Conclusion**

Introduction of IFRS are a work on prospect which will be more and more connected with foreign economic activity, attraction of foreign investments and the related technologies. Besides, IFRS are actual and for an assessment of activity of management of the companies as shows efficiency of adoption of administrative decisions. As a whole the organization of accounting will develop through a choice and application of more perfect ways and receptions of group of registration data, forms of registration registers, the correct and rational combination of the analytical and synthetic account and, finally, application of the most progressive forms of accounting with use of the automated systems.

All further development and improvement of the organization of accounting has to go in the direction of strengthening of control functions of the

account, expansion of analyticity of data of the account and efficiency increase in use of these data for management and adoption of economically reasonable decisions, more active participation of employees of accounts department in economic work.

Usually so far as concerns adoption of the international standards, are generally mentioned accounting at corporate level. However, certain rules and features of accounting in the sphere of management also have to be regulated by public finances through the standards answering to the international rules. That is, the so-called, budgetary account has to meet the requirements of International Financial Reporting Standards. In the Republic of Uzbekistan with the participation of United Nations Development Programme works on development of National standards of the budgetary account with application of IFRS are conducted.



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