

Uzbekistan's Adoption of International Financial Reporting Standards (IFRS) and Its Economic Impact

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Abstract: *This article explores Uzbekistan's adoption of International Financial Reporting Standards (IFRS), emphasizing the key phases and driving factors behind this strategically significant transition. It delves into the historical background that paved the way for IFRS implementation, including economic reforms and legislative initiatives. The article also identifies the challenges encountered during the process, such as administrative and logistical barriers, along with the critical need for professional training and skill development in the field of financial reporting. Special focus is given to the positive effects of IFRS, such as fostering foreign investment, enhancing international business collaboration, and improving the transparency and reliability of financial statements. In conclusion, the article evaluates the long-term implications of IFRS adoption for Uzbekistan's economic growth and development.*

Keywords: *International Financial Reporting Standards (IFRS), Uzbekistan's economic growth, foreign investment attraction, accounting systems, international business cooperation, financial transparency, professional training and development.*

Introduction

In recent decades, Uzbekistan has demonstrated significant economic growth and expansion of international economic ties. The country has gone through a series of economic reforms aimed at modernizing and diversifying the economy. Major industries such as agriculture, tourism, and mining play an important role in the economic development of the region.

In the context of globalization and integration into the world economy, it is becoming increasingly urgent for Uzbekistan to bring national accounting standards in line with international requirements. International Financial Reporting Standards (IFRS) are a universal business language that ensures transparency, comparability and comprehensibility of financial information for investors and other market participants.

The transition to IFRS opens up new opportunities for Uzbekistan to attract foreign investment, participate in international financial transactions and improve its investment climate. It also contributes to increasing the confidence of foreign partners in Uzbek companies, which is a key factor for successful integration into the global economy.

Adaptation to IFRS not only contributes to the improvement of financial reporting and increases the effectiveness of management decisions at the local level, but is also an important step towards strengthening the international economic relations of Uzbekistan.

International Financial Reporting Standards (IFRS) are a set of rules and regulations designed for the preparation of financial statements. They have been designed to ensure uniformity, transparency and comparability of financial information on a global scale.

IFRS covers a wide range of aspects of accounting, including the measurement of assets and liabilities, the recognition of income and expenses, and the presentation of a company's financial results and

position. The primary purpose of IFRS is to provide complete and accurate financial information that investors and other stakeholders need to make informed economic decisions.

The adoption of IFRS signifies a shift from the highly regulated approach to accounting that prevails in many countries to a more flexible system aimed at achieving principled fairness and a complete reflection of the financial condition of the organization. This approach emphasizes the importance of professional judgment and evaluation in accounting.

The transition to IFRS is a key moment in the development of accounting and financial reporting at the international level, which can significantly improve the quality and comparability of financial information for all participants in the global economy.

Historical development leading to the review of IFRS

The National Accounting Standards (NAS) of Uzbekistan were developed and implemented as part of efforts to standardize accounting in accordance with national economic characteristics and legislation. These standards have played a key role in shaping and regulating accounting practices in the country over the years.

The NAS was based on principles that were adapted to the needs of the domestic market and management practices of Uzbekistan. They covered such aspects as keeping records of assets and liabilities, accounting for income and expenses, and preparing and presenting financial statements. These standards were aimed at ensuring the reliability, completeness and timeliness of financial information for internal users - company management and government regulators.

However, there were certain limitations of the NAS related to the international comparability and flexibility of standards. In the context of globalization and efforts to integrate into the global economy, these constraints have become increasingly pronounced as Uzbek companies and investors have faced the need to understand and apply international standards in their work.

Therefore, despite the significant contribution of NAS to the development of accounting in Uzbekistan, there was a need to switch to more universal and globally recognized standards, such as IFRS. This transition was aimed at improving the quality and transparency of financial reporting, which in turn contributed to strengthening the confidence of international investors and partners in Uzbek business.

Uzbekistan's historical path to the consideration and subsequent implementation of International Financial Reporting Standards (IFRS) was determined by a number of key factors and the development of the economic situation in the country.

Since the early 1990s, after gaining independence, Uzbekistan has begun to carry out economic reforms. In the context of globalization and the strengthening of international economic ties, the Uzbek economy is faced with the need to adapt to world standards in all areas, including financial reporting.

To boost economic growth and develop key sectors of the economy, Uzbekistan needed to attract foreign investment. IFRS, as a universally recognized standard, has become an important tool for increasing the confidence of foreign investors and partners.

In the context of integration into the world economy, Uzbekistan's accounting and reporting standards required modernization to meet international requirements. IFRS provided a framework that ensured the comparability and understanding of financial information at the international level.

The development of the domestic capital market and banking system has also required more transparent and standardized financial reporting. IFRS have helped to establish common standards for all market participants, contributing to the efficient functioning of the country's financial system.

The Government of Uzbekistan has been actively promoting the transition to IFRS, including through various legal and regulatory acts. These measures were aimed at updating the national accounting system and bringing it closer to international standards.

Thus, the transition to IFRS in Uzbekistan was a logical step in the overall process of economic reforms and integration of the country into the world economic system. This step opened up new prospects for economic development and the strengthening of international economic relations.

Legislative and regulatory framework for the implementation of IFRS

Uzbekistan's transition to International Financial Reporting Standards (IFRS) has been largely driven by a number of government initiatives and decrees aimed at modernizing and unifying accounting and financial reporting in the country.

1. **Government initiatives:** The Government of Uzbekistan has recognized the need to update the national accounting system to comply with international standards. This included the development and implementation of new laws and regulations aimed at harmonizing national standards with IFRS.
2. **Training and professional development:** An important aspect of the transition to IFRS was the training of qualified personnel. The government has initiated training and certification programs for specialists in the field of accounting and financial reporting.
3. **Technical and methodological support:** Steps have been taken to provide technical and methodological support to enterprises in the process of transition to IFRS, including the development of manuals and manuals.

Of particular importance in the process of transition to IFRS was the Decree of the President of the Republic of Uzbekistan dated February 24, 2020 PP-4611 "On additional measures for the transition to International Financial Reporting Standards". This resolution, as an important piece of legislation, laid the foundation for reforms in the field of accounting and financial reporting, establishing strategic directions and priorities for the transition to IFRS. It has also helped mobilize the necessary resources for a successful transition and helped strengthen Uzbekistan's international economic ties.

Challenges and Opportunities in the Transition

The transition to International Financial Reporting Standards (IFRS) in Uzbekistan, although strategically important, was accompanied by a number of administrative and logistical difficulties. These challenges included changes in established accounting systems and processes, as well as the need to adapt to new standards, which required considerable efforts at both the enterprise and government levels. The transition involved the revision and change of many internal procedures, which entailed the need to update software, improve accounting and reporting systems, as well as rethink approaches to financial planning and analysis.

In light of these challenges, the task of training and improving the skills of specialists in the field of accounting has become especially important. This requirement was key to ensuring a smooth transition to IFRS, as the competence and understanding of the new standards among professionals had a direct impact on the quality and efficiency of IFRS implementation. Training and development have become an integral part of the reform process, including the organization of seminars, refresher courses and certification programmes. This approach not only helped specialists to master the new standards, but also contributed to the development of a deeper understanding of international practices in financial reporting, which in turn strengthened the professional base of the country as a whole.

Economic Impact of the Adoption of IFRS

The adoption of International Financial Reporting Standards (IFRS) in Uzbekistan has had a significant impact on the country's economic environment, especially in the context of attracting foreign investment

and improving international business cooperation. The transition to IFRS has strengthened the transparency and clarity of financial statements of Uzbek companies, making them more attractive to international investors and business partners. This, in turn, has helped to build confidence among foreign economic actors, which is critical for entering global markets and attracting foreign direct investment.

Improved financial reporting standards have also contributed to increased international business cooperation. Companies from Uzbekistan using IFRS have been able to interact more effectively with international partners, as their financial statements have become easier to understand and compare with those of foreign companies. This simplification of communication and increased transparency has greatly facilitated the processes of negotiating, closing deals, and working together in the international arena.

The adoption of IFRS in Uzbekistan was an important step towards closer integration into the world economy, strengthening international economic ties and creating a favorable climate for foreign investment. These changes not only supported the country's economic growth, but also contributed to its further development as a reliable and attractive partner in the international arena.

Uzbekistan's transition to International Financial Reporting Standards (IFRS) portends significant positive changes in the transparency and quality of financial reporting in the country. These standards are designed to increase the transparency of financial transactions, providing a clearer and more complete picture of the financial condition of companies. This improvement in transparency is key to informed decision-making, both domestically and among international investors and partners.

In addition, IFRS contribute to improving the quality of financial reporting by requiring companies to provide accurate, timely and comprehensive data on their financial activities. This includes stricter requirements for accounting for assets and liabilities, recognition of income and expenses, as well as detailed disclosures, which are important for a proper understanding of the company's financial position.

With improved transparency and quality of financial reporting, Uzbek companies can expect increased confidence from investors and partners, improved credit ratings, and greater opportunities to raise capital. These changes contribute to the creation of a more stable and predictable business environment, which is fundamental for Uzbekistan's long-term economic growth and development in the international arena.

Conclusion

In conclusion, Uzbekistan's transition to International Financial Reporting Standards (IFRS) is a significant step in the process of economic modernization and integration of the country into the global economic system. This transition has not only improved the transparency and quality of financial reporting of Uzbek companies, but also contributed to strengthening the confidence of international investors and business partners. These changes are expected to lead to increased foreign investment, improved international business cooperation, and ultimately sustainable economic development of Uzbekistan.

The transition to IFRS also underscores the importance of continuous training and professional development for accounting professionals, which is key to successfully adapting to the new standards. Although the transition process has been fraught with challenges, the strategic support of the government and the efforts of all market participants have contributed to the smooth implementation of these standards.

In general, the evolution of accounting in Uzbekistan and the transition to IFRS open up new prospects for the country's economic development, contributing to its sustainable growth and strengthening its position at the international level.

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