

# Possibilities of developing, adopting and using international standards of financial reporting

**Tursunov Tokhir Mirvasikovich**

Is the chief accountant of ATIB Sergeli branch of "Ipoteka-bank".

**Abstract:** This article is about finance and financial statements, development, adoption and use of international standards of financial statements.

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## Introduction

Currently, financial statements prepared for shareholders and other users use accounting principles and rules that are transferred from country to country, and in some cases are used only in one country. Thus, accounting reports may lack comparability. The disadvantage of this situation is that investment analysts and other users who use the financial report have to incur additional costs in the process of analyzing the report due to the fact that it is compiled according to standards. They may also face confusion in the interpretation of reports.

In connection with this process, effective competition in the global capital market will deteriorate, and companies will have to bear higher costs of maintaining capital. Most importantly, accounting reports lose confidence due to the fact that they show different profit amounts for different countries.

## Material And Method

The different coverage of the reports at the international level leads to:

- the costs of preparing financial reports are higher than expected - because transnational companies are forced to prepare different reports about their activities for different countries;
- there is a need to have a unified system for evaluating the financial results of commercial companies' activities in different countries.

Companies also want their external reports to match their internal performance appraisals. Achieving these two goals is very difficult as the reports in different countries are different.

International financial reporting standards are also very useful for developing countries that do not yet have accounting standards-setting bodies or do not have sufficient resources to develop standards. Development of Financial Reporting Standards is costly, especially as development of standards for individual countries is cost-effective. In order to support foreign economic financial decisions, a set of standards for financial accounting and reporting is necessary for the whole world. This is exactly the task assigned to the Committee of the Ministry of Education and Culture. Below, we present the structure of the IFRS Committee as of January 1, 2000. In 2001, its composition was partially changed. The main structure of the IFRS committee is defined by its charter. As we mentioned above, the members of the IFRS committee are mainly members of all professional organizations of accountants and auditors that are members of the International Federation of Accountants. According to its Charter, its members have assigned responsibility for all activities to the management of the IFRS committee. The board has a number of rights, including:

- refer to public judgment controversial and problematic issues related to international accounting and reporting, if the majority of the board members voted to publish them;
- Submitting documents in the form of "Preliminary (estimated) variants of standards" to the public judgment on behalf of the IFRS committee;
- Publication of international standards of financial reporting, etc., in cases where three-fourths of the board members vote.

The process of publication of the Standard by the IFRS Committee:

- Decision on the program;
- Appointment of the preparatory committee by the Board;

- Planning of key moments: determines the scope of the project; prepared by the preparatory committee, approved by the board;

- Project formulation of principles. It is issued by the preparatory committee for the purpose of collecting comments

- Final approval of the principles: prepared by the preparatory committee, approved by the board.

- The initial version of the standard: prepared by the preparatory committee; approved by the board; published for the purpose of studying public opinion.

The official publications of the IFRS Committee are divided into three main categories:

- Concepts of preparation and presentation of Financial Statements;

- International standards of financial reports;

- Interpretations (comments).

## Results

The IASB publishes its Standards as a series called International Financial Reporting Standards. Standards are numbered sequentially, and if a standard is revised, its old number is retained, but the revision date is shown in parentheses. Usually, the Standards are published by the IFRS committee within 30 days from the date of its development. Proposed standards are numbered separately and designated as TQS and published separately.

In 1998, Stig Enevolden from the audit firm "Deloitte & Touche" was appointed as the Chairman of the Board of the IFRS Committee. Representatives of countries such as Australia, Canada, France, Germany, India, Japan, Mexico, and the USA are members of the Board of the Committee of the Ministry of Education and Culture. They are representatives of large firms and companies such as "Deloitte and Touche", "KPMG", "PricewaterhouseCoopers". The Executive Committee on administrative issues is appointed by the Board. The following tasks are performed by the Executive Committee:

- The structure, plan and organization of the IFRS committee;

- Activities to recommend standards;

- Budget and finance;

- Terms and conditions of membership in Preparatory Committees;

- Determining the place and time of management meetings;

- Appointment of the General Secretary;

- Mandatory official process of IFRS COMMITTEE;

- International accounting standards and interactions with members.

In 1981, IFRS founded the Committee Management Advisory Group. Large organizations were involved in the advisory group, including

1. European Commission;

2. International Federation of Stock Exchanges;

3. US Financial Reporting Standards Board;

4. International Chamber of Commerce;

5. International Association of Accounting Education and Research;

6. Confederation of Labor;

7. International Finance Corporation (IFC);

8. International Commission on Evaluation Standards;

9. World Bank;

10. Organization for International Economic Cooperation and Development;

11. Includes the UN Office on Transnational Corporations and Investments.

A special Preparatory Committee works in the development of standards. This Committee conducts preliminary studies, issues a plan and reviews them. Submits the final formulation of the principles to the Board based on public feedback. The committee develops and presents the first version of the project of international standards of financial reporting. In order to ensure the timely implementation of the above tasks, a permanent Committee on Interpretation was established.

## Discussion

In the current era of economic development, two global languages of financial reporting are increasingly recognized:

US Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards. Due to the accuracy and completeness of financial reporting, its use by global companies, more international standards of financial reporting are being applied. The report prepared on the basis of IFRS is recognized by the stock markets of many countries. The International Financial Reporting Standards Committee (IFRS) is a non-governmental organization, which includes representatives of the world's accounting profession. The Committee is responsible for the continuous development and development of international standards of Financial Reporting.

International financial reporting standards are, as you know, internationally accepted rules for accounting and financial reporting.

IFRS Committee is an independent non-profit organization, which was created to achieve harmonization of accounting principles used in the process of preparing financial statements by commercial enterprises and other organizations around the world. The fact is that the UN interstate expert group, having studied the accounting practices of several corporations and reporting on the national accounting system, came to the conclusion that national accounting systems cannot be compared on many indicators. The Center's report concluded that, in some developed countries, a large number of companies use different reserve systems to equalize the reported profits at the end of the accounting period. While there are several differences between developed and developing countries in national accounting systems, the study of 13 national accounting systems by experts showed that in only 4 of them (Germany, USA, England, Japan) the methodology of resource assessment is adopted by the state. As a result, the resources are calculated according to the lowest valuation method and aim at the state profit, because the company is forced to show the maximum amount of profit. The study of 23 more of these national systems shows that in 8 of them (Australia, Belgium, Canada, France, Italy, Norway, Sweden, Switzerland) it creates more favorable conditions for the enterprise than for the state. It regulates the development of the national economy in the foreign market and a number of other conditions.

It can be said with full confidence that national accounting allows solving certain tactical and strategic tasks of the development of the country's economy due to the use of new directions. From the point of view of the analysis of national accounting systems, it is interesting to reflect the funds and resources of companies in foreign currency. An analysis was conducted and data were compiled on the level of expansion of balance items in foreign currency evaluated at the current exchange rate of the balance sheet date.

In this regard, it was found that companies have more facilities in France, Japan, Norway, the Netherlands, England, Switzerland, and less facilities for Australian and US companies.

Experts also analyzed the level of influence of the state on the regulation of the economy in national accounting systems. The national systems of Argentina, Mexico, Peru, the Philippines, and Venezuela are among the countries that have a significant impact on the regulation of the economy. Colombia, Nigeria, and Zaire are countries that partially influence the public economy through the use of the system of national accounts. In the rest of the countries, intermediate influence of the state is observed in varying degrees from 20 to 70%. The analysis of international accounting practices made it possible to distinguish different directions of their formation under the influence of interstate organizations, international professional accounting organizations, and international professional unions.

In parallel with the formation of the international system, the international accounting system, the unified international system of accounting and reporting, national regional accounting systems were integrated into a whole. The fact is that the second half of the 20th century is characterized by the strengthening of international economic relations, inter-country and inter-continental division of labor, cooperation and specialization of production. As a result of using the results of scientific and technical development, attracting foreign investment, internationalization of production led to the emergence of transnational and multinational corporations.

Examples of transnational corporations are: IBM (USA), Toyota Motor (Japan), General Electric (USA), Toshiba

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## Conclusion

As a result of the work done, UN representatives came to the conclusion that even though different countries have different approaches to accounting and reporting, it is necessary to develop general principles that reflect the internationalization of the world economy and financial markets. International Accounting Standards Committee (IASC) was established for these purposes. The main goal of this Committee is to harmonize the accounting standards and accounting policies of different countries as much as possible. In developing the standards, the IASC focuses only on basic accounting parameters, and does not try to make the standards too perfect, so that their application in a particular country is not difficult.

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