

# Improving Financial Reporting In The Public Sector Based On International Standards.

**PhD, Assoc. Prof. Shanasirova Nodira Abdullaevna**

Tashkent State University of Economics

ORCID: 0000-0003-2158-8395

[nodirashanasyrova@gmail.com](mailto:nodirashanasyrova@gmail.com)

**Abstract:** The article examines approaches to improving financial reporting in the public sector through the implementation of International Public Sector Accounting Standards (IPSAS). Particular attention is paid to the role of IPSAS as a tool for increasing transparency, accountability and efficiency of public finance management. The objectives of implementing standards, such as improving the quality of financial information, attracting investment and strengthening trust in government agencies, are analyzed. The features of IPSAS adaptation in Uzbekistan are discussed, including the development of national standards, training of specialists, modernization of accounting systems and regulatory support. The challenges associated with the implementation of standards and the prospects for their application to ensure sustainable economic development are also examined.

**Key words:** Financial reporting, international standards, transparency, accountability, public financial management, adaptation of Uzbekistan standards. Sustainable economic development, regulatory support, training of specialists, modernization of technologies, attracting investments, trust in government institutions

## Introduction

Financial statements are an important element of accounting, which reflects all property and liabilities of the enterprise as of the reporting date. However, today, the financial statements of budgetary institutions face a problem that Russian economists face when assessing and analyzing the volume of financing of non-production institutions and the degree of return on funds invested in it, which is especially important in connection with the latest changes in the legislative framework of budget accounting. Particular attention should be paid to the Resolution of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev No. PP-4611 dated February 24, 2020, which defines additional measures for the transition to international financial reporting standards (IFRS) [1]. According to this document, joint-stock companies, commercial banks, insurance companies, as well as legal entities classified as large taxpayers, are required to maintain accounting records and prepare financial statements in accordance with IFRS from January 1, 2021.

Thus, it becomes obvious that the state is purposefully transferring the corporate governance system of large enterprises and companies to the basis of international standards. These measures are also related to the importance of preparing reports in accordance with IFRS for companies that already interact with foreign partners or plan to establish such relations. Financial statements prepared according to IFRS become a key factor determining the reliability, stability and development prospects of a company. The transformation of reports prepared according to national standards into the IFRS format is especially relevant for enterprises seeking to attract additional financial resources or investments by entering stock markets.

## Literature review and methods.

The study of the features of international public sector accounting standards (IPSAS) is conducted by a number of scientists and experts who emphasize the importance of implementing these standards to improve financial transparency and public funds management. Some of them note the following key features of IPSAS: In budgetary organizations, the criteria for reflecting income received from income-generating activities in separate accounting, their classification, documents that serve as the basis for recognizing this income in accounting, as well as the amount of income and the date of its recognition, are not sufficiently regulated in legal terms, so this problem must be considered in more detail [2].

This issue is being further developed, and in the scientific research of S.I. Korenkova it is emphasized that the development of accounting policies is one of the most important tasks in improving the processes of organizing accounting in budgetary institutions [3].

Based on the above, it should be emphasized that improving budget accounting and reporting in the public sector of the Republic of Uzbekistan is recognized as one of the main areas of reform in the budget system. As a result of the reforms carried out, based on international practical experience, when reforming budget accounting in the process of recognizing income, it is necessary to choose one of two methods: the accrual method and the cash method. The use of these methods, as well as the transition to the accrual method in accordance with the requirements of international standards was considered as the main direction.

The implementation of accrual-based standards in the public sector has been reflected in the scientific views of industry scientists. If we analyze the opinion of foreign economists-scientists, then the works of Christensen M. and Parker L. examine the issue of using the accrual method in budget accounting and the implementation of relevant standards by foreign companies. In particular, the international practical experience of accounting by universities in the budget system emphasizes the use of the accrual method in financial reporting in accordance with international standards and its compliance with the requirements of international standards [4].

In connection with the liberalization of the economy and the great attention paid to the budget system, in recent years in our country much attention has also been paid to reforming budget accounting and implementing international standards, based on international experience. In this regard, economist and scientist Mekhmanov S.U. expressed the following opinion: "International public sector accounting standards define the requirements for reflecting events and transactions in financial statements, including recognition, evaluation, disclosure and presentation of information" [5].

### **Research Methodology**

The article presents the results of the analysis of the development of international accounting standards for the public sector (IPSAS), with an emphasis on their formation, dissemination and promotion in the world arena through the International Federation of Accountants. These standards are considered not only as an element of the history of International Financial Reporting Standards (IFRS), but also as a result of multilateral interaction of international organizations, as well as the testing of key documents intended for government finance statistics.

### **Analysis and results**

The global experience of implementing International Public Sector Accounting Standards (IPSAS) helps to more accurately determine the prospects for their application and dissemination in Uzbekistan, taking into account international practices and the specifics of their global use.

It is well-known that the concept of a budget is one of the most widely used. Therefore, it is essential to clarify its meaning. A budget is a monetary fund intended to achieve specific objectives, accounting for income sources and expenditure directions. Budgets can include family budgets, corporate budgets, government budgets, public fund budgets, and others.

Accounting is the process of quantitatively describing phenomena and events, with qualitative representation. It can be divided into several types, such as operational accounting, statistical accounting, and financial accounting. Through the organization of accounting, information is generated that serves as the basis for process control, managerial decision-making, and the development of current and long-term plans.

Budget accounting is an organized system for collecting, recording, and summarizing information on the state of assets and liabilities expressed in monetary terms, as well as on transactions that affect these assets and liabilities during the execution of the budget.

A budget accounting standard is a document containing requirements for maintaining budget accounting. These standards are categorized into national and international standards.

According to the Budget Code of the Republic of Uzbekistan, a unified methodology for budget accounting is determined in accordance with international budget accounting standards and other legislative acts.

International Public Sector Accounting Standards (IPSAS) are globally recognized rules governing the preparation of financial statements by public sector organizations (excluding state-owned enterprises) in compliance with high-quality global standards.

Budget accounting standards set unified requirements for accounting, which involve a systematic process for collecting, recording, and summarizing information on the state of assets and liabilities, as well as business transactions that alter these assets and liabilities during budget execution. These standards specifically regulate the formation of accounting policies in budgetary organizations, including recognition criteria for accounting items (e.g., fixed assets, inventories), their valuation, and reporting.

Key Sections of Budget Accounting Standards:

- Accounting items: Definitions and general concepts related to accounting items.
- Recognition of accounting items: Guidelines for including items in financial reporting elements.
- Valuation of accounting items: Recommendations and requirements for applying valuation methods.
- Financial reporting presentation: Rules for disclosing and presenting information about accounting items.

The Ministry of Finance of the Republic of Uzbekistan serves as the regulatory body for the budget accounting and reporting system, approving relevant standards.

Improvement of accounting and reporting in Uzbekistan's public sector is recognized as a key reform area within the budget system framework, as outlined in the corresponding concept. This concept provides for the implementation of budget accounting standards.

**Development and Governance of IPSAS** IPSAS are developed by the International Public Sector Accounting Standards Board (IPSASB), a part of the International Federation of Accountants (IFAC). The Board consists of 18 members: 15 are appointed by IFAC, and 3 are nominated by public organizations. Observers from interested public sector bodies may also participate in the Board but do not vote.

The Board drafts:

- International financial reporting standards for the public sector based on the accrual method.
- International financial reporting standards for the public sector based on the cash method.

IPSAS plays a significant role in the harmonization, alignment, and enhancement of financial reporting standards globally. These standards are used as the foundation for national accounting and reporting requirements in many countries and serve as a reference model for those developing their own systems. They can also be fully adopted without changes for direct application.

**Accounting Methods in the Public Sector:**

**Cash Basis Accounting:** This method records transactions based solely on cash flows. Events related to assets and liabilities are often not reflected. For instance, under this method, purchased fixed assets are immediately recorded as expenses without being recognized as assets.

**Modified Cash Basis Accounting:** This method recognizes transactions that occur in the first month of the following fiscal year but relate to the previous year. Obligations from the prior year are paid, and revenues owed under the budget are received. This approach allows for asset and liability assessment.

**Modified Accrual Basis Accounting:** Events are recognized when they occur: revenues as revenues, expenses as expenses, with assets and liabilities acknowledged at their origination. While fixed assets are recorded as expenses upon purchase, this method simplifies the transition to full accrual accounting.

**Accrual Basis Accounting:** This approach records all transactions as they occur, recognizing revenues, expenses, assets, and liabilities at the time of their origination. It ensures a comprehensive accounting process aligned with modern financial management practices.

**Conclusions and suggestions**

Based on the results of our research, the following conclusions and proposals were formulated:

**Training and professional development of personnel :** It is necessary to organize systematic training of accountants and auditors in government agencies within the framework of new international accounting standards. This will help to eliminate the shortage of qualified specialists and improve the professional level of employees.

**Adaptation of international standards to local conditions :** Despite the importance of following international standards, their implementation should be adapted to the specific economic and social situation in Uzbekistan. It is necessary to develop a flexible model that will take into account the national specifics of budget and tax legislation.

Modernization of information technology : For successful implementation of IAS, it is necessary to update and modernize the electronic accounting and reporting system. This will help to effectively integrate international standards into current public administration systems.

Increase transparency and accountability : It is important to develop a culture of accountability and control at all levels of the public sector. Establishing international standards will help improve the transparency of financial reporting, which in turn will increase the accountability of government bodies to citizens and international partners.

Establishing clear deadlines and mechanisms for implementation : To successfully implement international standards, it is necessary to develop a clear plan with specific deadlines and stages. It is important to ensure consistency in their implementation and the creation of an effective control mechanism.

Conducting information campaigns : It is necessary to conduct information campaigns for a wide audience of civil servants, accountants and citizens about the importance and benefits of implementing international standards. This will increase the level of support and understanding of reforms in society.

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