

**ISSUES OF IMPLEMENTING INTERNATIONAL FINANCIAL REPORTING
STANDARDS IN BUSINESS ENTITIES.**

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Abstract: This article discusses the measures being implemented to ensure the fulfillment of the tasks set out in the Resolution of the President of the Republic of Uzbekistan No. PQ-4611 dated February 24, 2020, “On Additional Measures for the Transition to International Financial Reporting Standards,” in the field of accounting and financial reporting. The Ministry of Economy and Finance of the Republic of Uzbekistan has developed National Financial Reporting Standards based on International Financial Reporting Standards (IFRS) for small and medium-sized enterprises. Scientific conclusions regarding this project are presented in the article.

Keywords: International Financial Reporting Standards, National Financial Reporting Standards, small and medium-sized enterprises, financial reporting.

The efficiency of business entities and, in general, the development of the economy are closely linked to the role of financial reporting. The Ministry of Economy and Finance of the Republic of Uzbekistan, as the authorized body responsible for the implementation of IFRS, has been fully ensuring the execution of the tasks defined by Presidential Resolution No. PQ-4611 of February 24, 2020, “On Additional Measures for the Transition to International Financial Reporting Standards.” According to this resolution, commercial banks have been required to organize accounting based on IFRS starting from January 1, 2023, and to prepare financial statements in accordance with IFRS beginning with the results of 2023.

Before addressing the current state of the traditional national accounting system, it should be emphasized that, as in many other countries, Uzbekistan has established clear procedures for accounting services within business entities. This process has been regulated through amendments and additions to the Law of the Republic of Uzbekistan “On Accounting” dated April 13, 2016, and further improved by subsequent regulatory documents. However, despite these changes, business management has faced limitations. On the one hand, its functionality in solving accumulated problems related to business development and financing has remained constrained. On the other hand, the information base related to production and sales costs and financial results, identified at significant expense, has not met the requirements of external stakeholders either in form or in content. As a result, such information has often remained outside their scope of interest. Yet, any business flourishes where accuracy and transparency are ensured.

It should be noted that today nearly half a million enterprises and organizations across various sectors of the economy maintain accounting and reporting systems. However, the gap between the two accounting worlds operating under the same economic rules—national and international—continues to widen. While acknowledging the value of past achievements, it must be stated that the lack of economic openness and the failure to demonstrate achieved results on the international stage are largely explained by the fact that the existing traditional procedures for preparing and presenting accounting and financial statements have prioritized national economic considerations over internationally recognized requirements. Today, however, the environment has fundamentally changed. Uzbekistan has fully opened up to the outside world. In this context, accounting and auditing professionals are now tasked with aligning reporting systems with the new framework of global economic relations, as a number of challenges remain.

First, the existing procedures for identifying, recognizing, evaluating, and disclosing the real performance results of business entities do not align with the interests of the actual and prospective owners of economic resources. Second, the accurately measured values of revenues and expenses of business entities do not meet the expectations of potential stakeholders, particularly in terms of ensuring the accuracy, liquidity, and quality of profits. Third, the existence of excessive, rigid, and unjustified requirements in the preparation and presentation of financial statements, as well as overly strict regulations down to minor accounting details in management decision-making within the scope of owned assets, limit accountants' ability to apply professional judgment and experience when forming conclusions and presenting them to interested parties. This means that business representatives perceive the real situation not as they wish, but as the owners of the resources being used expect it to be seen.

Fourth, in regulating relations related to the organization, maintenance, and reporting of accounting, external control has been given priority. In practice, greater emphasis should be placed on internal control, since one of the key principles of international standards is that effective internal control reduces the need for external control. Fifth, no matter how closely national accounting standards are aligned with international financial reporting standards, without transparency in information flows it is impossible to accurately reflect the real financial position, results, and changes of business entities.

It should be emphasized that the above-mentioned Presidential Resolution marked the beginning of a new stage in the implementation of international financial reporting standards and accounting reforms in Uzbekistan. In this regard, it is appropriate to highlight certain aspects of non-compliance between the accounting practices applied by business entities and international norms. In particular, until now, business entities have lacked a consistent strategy for preparing for capital inflows from external investments, and none have developed a successful investment history. There has been little interest from either owners or the state in determining the real and potential value of businesses. Audit opinions on business reporting have had minimal impact on concluding successful transactions. Existing procedures for establishing internal control have not been linked to management quality, and personnel issues in forming disciplined teams remain relevant.

Such conditions hinder the international harmonization of accounting, its full adaptation to integration processes, and the formation of a unified information space in the context of globalization. International standards enable official financial statements to objectively and realistically reflect business performance, management quality, and operational results, as well as to clearly identify key trends in business continuity, development, and growth. This, in turn, creates a foundation for increasing the volume of attracted foreign investment, strengthening international relations, forming a group of potential buyers, and enhancing overall international reputation.

In conclusion, it can be stated that today the Ministry of Economy and Finance, as the authorized body, is actively continuing efforts to align the accounting and financial reporting system with international standards, including the harmonization of National Accounting Standards with IFRS and the accelerated implementation of International Financial Reporting Standards in Uzbekistan.

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