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The Implementation of IFRS into National Accounting Standards in Uzbekistan

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Abstract:

This article examines the challenges Uzbekistan is facing while adopting International Financial Accounting Standards into its National Accounting Standards. It highlights problems like the requirement for thorough training programs for finance professionals, cultural resistance to change, and bringing national laws into compliance with international standards. By resolving these issues, Uzbekistan will be able to improve financial reporting, draw in capital from abroad, and further integrate into the world economy. The essay also suggests practical ways to ease this transition in order to ensure that Uzbekistan can capitalize on its potential in the international financial market.

Keywords: IFRS, National Accounting Standards, adopting IFRS, education and training, financial reports, transperency, reliable information, global market, developing countires, dual reporting system.

Introduction

In today's world, countries are striving to unite economically and socially, and individuals have the chance to share ideas with people on the other side of the world and utilize the products they consume with those beyond social and political boundaries. Globalization is unavoidable in the modern economy; interstate economic relations are getting better every day. Meanwhile, both developed and developing countries have started incorporating International Financial Reporting Standards (IFRS) into their National Accounting Standards in order to be open to the global economy. Globalization is greatly aided by the International Financial Reporting Standards, which encourage comparability, transparency, and consistency in financial reporting all around the world. The more governments begin incorporating International Financial Reporting Standards (IFRS) into their National Accounting Standards, the more openly these countries will be able to engage in international transactions, join the global financial markets, and attract in both domestic and foreign investors.

The International Accounting Standards Board (IASB) created IFRS with the goal of offering a framework for financial reporting that is accepted worldwide. Companies all throughout the world could lower their financial statement preparation expenses and increase the comparability and openness of their financial data by adopting IFRS. Because of this, IFRS clears the path for each nation's economy to grow, allowing it to freely join the global capital market and draw in investors. The fact that a large number of businesses use IFRS also makes it easier for large investors to compare businesses globally and determine which one is a better place to put their money if they are active participants in the global market and wish to grow their investment portfolios.

One of the developing countries Uzbekistan, is currently making considerable efforts to integrate its National Accounting Standards with IFRS. With investors from all around the world taking notice, Uzbekistan has risen quickly in the last few years to become the most business-friendly republic in Central Asia. The strategic location of the country, continuous economic changes, and wealth of natural resources have made the climate more and more conducive to corporate endeavors. However, foreign investors' information needs regarding financial statements could not be met by Uzbekistan's current National Accounting standards.Because of this, Uzbekistan's decision to implement IFRS and reform its accounting standards has become a big issue at the state level. The goal of this article is to examine the issues Uzbekistan is facing during this process and provide effective solutions.

Problems in adopting IFRS Accounting Standards into National Accounting Standards in Uzbekistan.

Even though Uzbekistan is starting the process of switching to IFRS from 2017, there are still issues with the procedure. Uzbekistan is experiencing a number of challenges in adopting International Financial Reporting Standards (IFRS), as do numerous other countries undergoing this transformation.However, these issues disappear in comparison to the advantages—both direct and indirect—that adopting IFRS will offer in the upcoming years.According to Nobes (2010), adopting International Financial Reporting Standards (IFRS) is the least expensive approach to enhance the quality of financial reporting data to facilitate the effective distribution of capital and investor interest to finance the growth of its economy. There is a great demand for reliable information, yet accounting and financial data from developing countries is still unreliable. High needs for this kind of data will show up as an effort to draw in investors and satisfy the requirements of funders, institutions, and individual investors (Richter and Quinn 2004).We will consider the main problems in the process of IFRS adoption on the example of Uzbekistan:

1. National regulatory Framework.

Like many other nations, Uzbekistan has developed its own financial reporting system that is tailored to its legal, cultural, and economic circumstances. In the past, Uzbekistan was dependent on Soviet-style accounting systems, which were mainly tax-driven and concentrated on following government rules rather than giving external stakeholders—like investors—transparent and comparable financial information.The local laws of Uzbekistan were not initially intended to support IFRS, especially its tax and accounting legislation. For instance, the national tax system was created using a distinct set of accounting standards that placed more importance on compliance than on accurately reflecting financial performance.

2. Lack of Awareness and Understanding.

IFRS is by nature more complicated than Uzbekistan's regional norms. Financial experts must use discretion in matters including risk disclosure, revenue recognition, and asset value. For many professionals in Uzbekistan, especially those working in smaller businesses or in manufacturing sectors with less exposure to global markets, these notions are unfamiliar and difficult to understand.As opposed to simply recording assets at historical cost, as is common in Uzbekistan, IFRS demands the use of fair value accounting for assets, requiring businesses to periodically determine the market value of their assets. Fair value evaluation is new to many Uzbek accountants, thus learning new techniques and interpreting financial models and market data will be necessary.

3. Education and training.

One major obstacle to Uzbekistan's adoption of IFRS is the absence of extensive training programs. Without finance experts with the necessary training, businesses may find it difficult to adopt and comply with these international standards, which could result in financial misreporting and a loss of credibility from international stakeholders and investors.

4. Corporate Cultural Resistance.

Financial reporting under NAS might be more in line with what stakeholders have become used to dealing with for local tax reporting. However, IFRS aims to create a more transparent and widely accepted system of financial reporting that might reveal certain financial practices or necessitate reclassifying some assets or liabilities. Management may become resistant as a result, believing that the new reporting method will highlight financial dangers or flaws in the company's financial condition that were previously unnoticed.

Effective solutions to the problems faced by Uzbekistan in the process of adopting IFRS.

1. Dual reporting system.

Uzbekistan may initially use a dual reporting system in which businesses disclose financial results using both international financial reporting standards (IFRS) for external stakeholders such as investors and national accounting standards (NAS) for tax purposes. This would shorten the transitional period and allow companies more time to become used to the new requirements.

2. Tax Incentives for IFRS Adoption: The government may provide tax advantages or lowered administrative costs to businesses that implement IFRS early in order to encourage them to do so.

3. Educational programs and incentives to hire internationally-qualified employees.

Educational programs are crucial in Uzbekistan, as firms and finance professionals are shifting from the National Accounting Standards (NAS) to the International Financial Reporting Standards (IFRS).In particular, Uzbeksiton entrusted the work to The Ministry of Finance of the Republic of Uzbekistan regarding the solution to this issue. Registration fees for students who pass the international ACCA certificate between 2020 and 2025 are covered by the state, and this is a very good incentive for those who acquire the ACCA certificate, which is an international certificate that teaches IFRS. Also, if tax benefits are given to companies that employ personnel who understand IFRS well and have international certificates, this will encourage many companies to follow IFRS standards within their organization.

Conclusion

A number of measures are being implemented in the accounting and auditing sectors in Uzbekistan to create a reliable and transparent financial accounting system. The development and reinforcement of accountants' professional expertise is a crucial component of this change, particularly for those who are just starting to work with International Financial Reporting Standards (IFRS). Because of this, it is vital that all businesses implement required professional development programs.The primary challenges that many firms face are a lack of technical resources, experience, and change-resistant corporate cultures that already exist. A concerted effort including governmental organizations, trade associations, and businesses themselves is necessary to remove these barriers. The adoption of IFRS must be supported and facilitated by the whole financial ecosystem; individual companies are unable to implement changes in isolation. To guarantee that accounting professionals have the abilities and know-how required to successfully adopt IFRS, a significant emphasis is placed on their education and ongoing professional development.In conclusion, there will be numerous advantages from the effective adoption of IFRS into Uzbekistan's financial system. It will raise the level of financial transparency in the country, attract in foreign capital, and make Uzbek businesses more competitive internationally. Adopting current technologies, continuing legislative reforms, and a dedication to education are all necessary to achieve these aims. By collaborating with enterprises, professional associations, and the government, Uzbekistan may establish itself as a more desirable and competitive player in the global economy.

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