THE MAIN DIFFERENCES BETWEEN THE NATIONAL ACCOUNTING STANDARDS OF THE REPUBLIC OF UZBEKISTAN AND IFRS

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Abstract

One of the most effective tools for the development and improvement of the economy of each state is an active investment policy. It is for this reason that today the issue of transformation of financial statements compiled according to the National Accounting Standards in accordance with the requirements of IFRS has become acute, information about the activities of enterprises and companies in the financial futures markets is interesting for investors and no less important. In this regard, it is of great importance to study the international practice of accounting for financial instruments and reporting information on them.

Key words: accounting of financial investments, financial statements, financial assets, financial liabilities, financial instruments

Introduction

Currently, the Government of the Republic of Uzbekistan pays special attention to the issues of broad attraction of foreign investors and foreign direct investment into the country's economy, the organization of free economic zones, the development of partnerships with leading foreign institutions, ensuring transparency of information on the expenditure of public funds. The implementation of these important tasks necessitates the implementation of appropriate work on the phased implementation of generally accepted modern norms and standards in the country, including international financial reporting and auditing standards.

This is due to the fact that accounting based on international financial reporting standards ensures transparency, reliability and objectivity of the information provided, which greatly contributes to solving issues related to the investment of funds from investors and banks in the development of enterprises. Nationwide, the introduction of international financial reporting standards plays an important role in attracting foreign direct investment, which is aimed at expanding and modernizing production, creating new jobs, increasing tax revenues to the State budget and ensuring the stability of economic growth.

Accounting differs both in different companies and in different countries, and therefore it is necessary to have a "common language" of accounting. The purpose of IFRS is that they are aimed at maintaining stability and transparency in the world of finance. Thanks to these standards, companies from different countries can understand each other's financial statements and make decisions about further cooperation. In many countries of Europe, Asia and South America, international reporting standards have been adopted as mandatory.

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Differences between the national system and IFRS

The investment policy of the state is the most important component of the overall economic policy. It represents a set of goals, objectives, directions and activities carried out to activate capital investments, optimize their structure, increase their efficiency [1].

Uzbekistan is at the stage of financial market globalization, interdependence and interrelation between national markets of goods, labor, as well as currency and financial markets are emerging.

Currently, companies whose shares are traded on the RSE "Toshkent" simultaneously report both according to national accounting standards and international financial reporting standards. And as a rule, the presented financial results do not match. Since NSAs are designed to provide information to regulatory and tax authorities, and IFRS reporting is more used by investors and creditors to make investment decisions.

There is no separate accounting standard in Uzbekistan dedicated to accounting for financial instruments. Developed by the Ministry of Finance of the Republic of Uzbekistan NSB No. 12 "Accounting for financial investments" regulates the general procedure for accounting for financial investments as part of financial instruments. The national accounting system is gradually approaching international standards, but there are quite significant discrepancies in accounting for financial investments.

According to IFRS, there are several standards regulating the reflection of financial instruments in financial statements: IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosure of information". The main one of them is IFRS 9 "Financial Instruments", it was released relatively recently and has been applied to reporting since 2018. This standard defines the term "financial instrument". According to this standard, a financial instrument is a contract that gives rise to financial assets for one party (the company), and for the other party (the counterparty to the contract)

– either a financial liability or an equity instrument. In fact, it follows from this definition that if there is a contract that leads to the emergence of three objects – financial assets, financial liabilities or equity instruments, the company will have a financial instrument reflected in the financial statements. There is no concept of "financial instruments" in NSB No. 12 "Accounting for Financial Investments" for accounting purposes.

The accounting procedure for financial investments in NSB 12 is considered more narrowly than financial assets under IFRS. The standard does not regulate the accounting procedure for accounts receivable. And there is no accounting procedure for financial liabilities at all.

The main differences between accounting for financial investments under RAS and IFRS can be presented in the form of the following table:

Differences	**IFRS 9**	**NSB 12**
Destined	For the investor	For the issuer
Goal	Definition of the principles according to which financial instruments are presented as part of liabilities or equity. Offsetting of financial assets and financial liabilities	Formation of information about financial investments in accounting and financial statements
Valuation of financial instruments	The valuation depends on the classification (clause 4.1. of IFRS 9 "Financial Instruments": Recognition and Measurement"): - carried at amortised cost (loans, receivables, held-to-maturity investments), taking into account impairment; - carried at fair value through profit and loss; - accounted for at fair value through equity.	Financial investments are measured at their original (historical) cost less impairment (paragraphs 9, 11 of NSB 12 "Accounting for financial investments"). Financial investments for which the market value can be determined are estimated at the current market value (clause 10 of NSB 12).
Interrelated standards	IAS 32 Financial Instruments: Presentation	

	IAS 39 Financial Instruments: Recognition and Measurement	
Financial instrument	A contract that results in a financial asset for one entity and a financial liability or equity instrument for another	The concept of a financial instrument is not considered for accounting purposes.
Derivative financial instruments (options, forwards, futures, swaps)	Meet the definition of a financial instrument and fall within the scope of this standard	The standard does not consider.
Financial asset	Cash; Contractual right to claim cash or other financial asset; Equity instrument of the company	There is no definition in the standard
Financial commitment	This is the obligation of the parties under the contract to deliver any financial asset to another company or exchange financial instruments on favorable terms: Accounts payable; Loans received; Bond and promissory note loans issued by the company.	There is no definition in the standard This definition is reflected in the Civil Code of the Republic of Uzbekistan in Article 234. Obligation is a civil legal relationship by virtue of which one person (debtor) is obliged to perform a certain action in favor of another person (creditor)
Equity instrument	A contract confirming the right to a residual share in the assets of the organization after deducting all its obligations	There is no definition in the standard In fact, shares and other equity interests are recognized as equity instruments
Allocation of investments in subsidiaries, associated	Interest on financial instruments carried at amortised cost is accrued at the initial effective interest	In the financial statements , they are not singled out separately

companies, joint activities	rate (paragraphs 4.1, 4.2. of IFRS 9).	

This table does not indicate all the differences between the national Accounting standard 12 "Accounting for Financial Investments" and IFRS 9 "Financial Instruments". Making a comparison between domestic and international standards, we came to the conclusion that IFRS provides a more detailed description of the procedure for accounting for transactions with financial investments and their formation in the reporting.

According to the decree of the President of the Republic of Uzbekistan "On additional measures for the transition to international financial Reporting standards" No. PP-4611 dated February 24, 2020, a list of persons who will prepare financial statements on the basis of IFRS starting from the results of 2021 is mandatory. It includes joint-stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers. Organizations of small size that do not use transactions with foreign assets in their activities can adhere to the requirements of the National Accounting Standard No. 12**.**

Based on the above, in order to adapt NSB 12 to the requirements of IFRS, we have the following proposals:

1. Develop the maximum number of regulatory documents on accounting of financial instruments. To create Methodological recommendations on the application of the NSB, where the most complex provisions of the NSB will be illustrated by examples.
2. Introduce the term "financial instruments" into the national standard, which will bring it closer to IFRS, give a clear definition and avoid alternative interpretations.
3. Prescribe possible fair value equivalents, describe the procedure for assessing the value of financial assets and financial liabilities in the absence of the possibility of determining fair value.
4. For companies that are required to use IFRS, some difficulties may arise due to the entry into force of new standards. In particular, it is necessary to analyze all accounts receivable and calculate the allowance for doubtful accounts receivable based on the expected loss model.

Conclusion

From our research on the current state and prospects of long-term investment, it follows that a wide range of sources of financing for long-term investment opportunities, a favorable and attractive investment climate created for this purpose, opens up opportunities to use all levers of economic incentives to maintain the world's highest economic growth rates and confidently declare Uzbekistan's entry into the ranks of the leaders of developed countries in the near future..

High goals, increasing complexity of the tasks of economic and financial processes require improvement and ensuring the unity of national accounting standards with methodological principles adopted in world practice.

Significant differences in the basic principles of IFRS and NSB lead to fundamental differences in the preparation of financial statements. At the same time, it is obvious that IFRS reporting is of great value to investors, since it reflects the real state of affairs and is most convenient for interpretation.

The NBU has a more strict form, the main emphasis is on formalism, for each article there is a strictly fixed name and serial number.

The absence of requirements in the system of national regulations on accounting for derivative financial assets and financial liabilities leads to some misstatements of accounting information, as well as to the incompatibility of accounting data presented in the format of NSB and IFRS. The solution of these problems is possible through the creation of Methodological Recommendations for the application of the National Accounting Standards. Due to the introduction of adequate terminology in the NBU, many problems will be overcome.

List of literature:

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