

# FINANCIAL REPORTING AND ITS ADJUSTMENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS: A COMPARATIVE ANALYSIS AND DIFFERENCES

**Kuvvatov Golibjon Bakhtiyor ugli**

Ph.D Student, Tashkent State University of Economics, Republic of Uzbekistan

[gquvatov@tsue.uz](mailto:gquvatov@tsue.uz)

**Abstract.** The article reviews the structure and purpose of the financial statements, their classification, national and international experience in the preparation and presentation of financial statements, and comparative analysis. The methods of grouping, comparing, and comparing financial statements and their classification were widely used. A theoretical analysis of financial reporting, its essential aspects, scientific substantiation, revealing methodological aspects of evaluation and analysis of key financial statements and their future expectations, factor analysis of possible economic and financial potential results by forecasting key elements of financial statements and their future expectations. accounting methodology, important elements of financial statements and factors influencing their forecasting and the empirical model of risk assessment. The methods and techniques presented in this article are adapted to use in Uzbekistan Railways, which are feasible for use by railroad companies, and to date, retrospective and projected profit and loss analyzes on the example of railroad companies, affecting their future expectations on changes in property, capital and cash flows. It serves as an important methodological and fundamental basis for the assessment.

**Key words:** *financial statements, accounting, financial statements, assets, capital, liabilities, international financial reporting standards, national accounting standards.*

## Introduction

The profitability index is an important factor for the business activity, the key factor of their development and development, business efficiency. Profit is not only the driving force of a business, it is also a prerequisite to ensuring its future competitiveness, enhancing its financial stability, enhancing its financial and economic power and market activity. Therefore, the statement of financial results (profit or loss) is the first form of stakeholder reporting.

## Literature Review

A great deal of research has been done by Uzbek and foreign scientists and practitioners on financial reporting and important aspects of their compilation. The most important ones are:

Alekseeva G.I. on the peculiarities of the application of international standards [5]; Valinurova A.A., Guseva A.A. on the application of international standards in small and medium-sized businesses [6]; Vakhorina M.V. [7-8]; Vahrushina M.A. on accounting and reporting in the global economy [9-10]; Concerning the Conceptual Framework and Structure of Integrated Reports and International Standards Getman V.G. [11-13]; Karelskaya S.N., Zuga E.I. for the reliability and disclosure of financial reporting information [14-15]; Plotnikov V.S., Plotnikova O. On the problems of determining the real value of financial statements [16];

Sokolova T.A., Borodin O.S. on transformation of financial statements Have been studied in detail by [17]. Methodological principles for the development and improvement of assessment methods were investigated by Ibragimov I.U., & Tursunov, B.O.[18] and others. Features of organization of production at light industry enterprises and improving logistics were studied by several scientific works of Tursunov B.[19;20;21;22;23;24;25;26;27;28]

However, they do not reveal the full methodological aspects of compiling financial statements in accordance with international standards, with a greater emphasis on theoretical and conceptual foundations of converting aspects of the national accounting system to international standards. That is, the general and theoretical aspects, comparative analysis of financial statements, some aspects of disclosure were studied.

## Analysis and results

The key elements of the statement of financial performance are income (an increase in assets or a decrease in liabilities), expenses (decrease in assets or increase in liabilities), profit or loss (the ultimate economic outcome of the business entity).

Profit or loss is the result of deducting expenses from total revenue, excluding other components of the aggregate income. (IFRS 1. Presentation of Financial Statements)

Also, various indicators are defined in different countries: nominal profit (loss), real profit (loss), minimum profit (loss), normal profit, target profit, maximum profit, entrepreneurial profit and so on.

The following are some of the key financial statements (see Table 1).

Table 1 Key performance indicators system

System of indicators characterizing financial results	
By International Financial Reporting Standards	gross profit (loss) from the sale, profit (loss) from the main activities, profit (loss) before the profit tax, profit (loss) of the period, base and granular earnings per share
According to national accounting standards	gross profit (loss) of the sale of products (goods, works and services); profit (loss) of the main activity; profit (loss) of economic activity; profit (loss) before payment of income (profit) tax; net profit of the reporting period

An important aspect of accounting in foreign practice is that it focuses on the accuracy, accuracy, and quality of profit. National practice results in differentiation of corporate income and tax revenues, and state accountability prevails in determining profit. That is, accounting is a separate accounting of taxation. Where accounting profits are carried out in cash, the recognition of income and expense in tax accounting increases the degree of differentiation.

The British-American model in the target system is of interest to investors, creditors and shareholders, accounting policies of enterprises in the continental model, the fiscal policy of the South American model, the interests of transnational corporations and international currency market participants, and speculative cases in the Islamic model. and their impact on the content of the loss report.

It should be noted that in international practice there are three different approaches to classifying financial results.

The first approach is as an increase in the net asset value;

The second approach is: as a difference between income and expenses from operating the enterprise;

The third approach; current equity changes.

Increase in net assets value as part of total assets over liabilities assumes that the difference between income and expenses from activities reflects the profits and losses of that type of activity, the increase in profitability, and the increase in its capitalization. Therefore, indicators that characterize financial performance differ in different countries. Also, the horizontal and vertical lines of profit and loss partly vary in composition and periodicity.

In International Finance, the statement of financial results, profits and losses varies by horizontal and vertical structure, single-line and multi-line structure.

The transition to international standards, which set the minimum requirements for the formulation and presentation of financial statements, is seen as an important means of ensuring uniformity in addressing such issues in today's global economy.

The following important aspects of reporting financial results (gains and losses) in accordance with International Financial Reporting Standards are set out.

In accordance with international requirements, a gain from a weighted increase in future economic benefits associated with an increase in assets and a reduction in liabilities is recognized in the income statement. It is noted that income recognition should occur simultaneously with the reflection of an increase in assets and a decrease in liabilities.

In the event of a measurable decrease in future economic profit associated with a reduction in cost-assets and an increase in liabilities, it is reflected in the financial statements. Recognition of expenses should occur simultaneously with the reflection of an increase in liabilities or a decrease in assets. IFRS 1. (Presentation of Financial Statements)

International standards require business entities to prepare and submit financial statements, as well as provide financial analysis that will explain and explain key aspects of their financial results and uncertainties.

Such an analysis:

(a) Key factors and impacts on financial results, measures and their impact in response to changes in the business environment, the investment policy of the business entity, including its dividend policy;

(b) the ratio of the sources of funding of the business entity to the capital ratio of its liabilities;

and (v) analytical conclusions about the inclusion of unrecognized business resources in the financial statements.

In international practice, the profit and loss line is as follows:

- Profit and loss from operating activities;
- profit and loss from financial activities;
- current profit;
- Net profit;
- real and nominal income (profit adjusted for inflation);
- Minimum profit (the minimum profit after tax payment, equal to the average interest rate on the invested capital);
- Normal profit (minimum incentive of the entrepreneur, in the selected field of activity, corresponding to the average return rate of invested capital);
- Targeted profit (profit after tax, corresponding to the needs of social and economic development of the enterprise);
- maximum profit (target profit for a certain period, aimed at achieving certain cash flow);
- unearned profit (profit that can be gained through more efficient use of resources);

- cash flow accrued through depreciation and deduction to retirement savings in net profit;
- gross and net self-financing indicators;
- business profit (income).

The minimum requirements disclosed to internal external users of financial results, profits and losses include the following system of indicators (see Table 2).

Table 2 Comparative analysis of national, regional and international norms of financial results formation

<b>Business entity on MHHS algorithm for financial results generation</b>			
Proceeds from sale	-	Cost of sales	= Gross profit (loss)
Gross profit (loss)	-	Commercial costs	= Profit (loss) from sales
		Management costs	
	-	Costs of financing	= Profit (loss) before tax payment
		+ Income from participation in other organizations	
		+ Other income	
		- Other expenses	
Profit (loss) from sales	-	Current income tax	= Net profit (loss)
		Including: regular tax liabilities (assets)	
		Deferred tax liabilities (assets)	
		Other	
<b>By the Russian Federation Accounting Standards Algorithm of formation of financial results of business entities</b>			
Proceeds from sales of products and services (including VAT and excise tax)	-	Production cost	= Gross profit margin
Gross profit margin	-	Management and commercial costs	= Profit from product and service sales
Profit from product and service sales	+	Other income and expenses	= Benefit from tax payment
Benefit from tax payment	-	Income taxes	= Net Profit
Net Profit	-	Net Profit Distributed	= Retained earnings (capitalization)
<b>Algorithm of formation of financial results of entrepreneurship according to national accounting standards of the Republic of Uzbekistan</b>			
Net proceeds from the sale of products (goods, works and services)	-	Cost of sales (goods, works and services)	= Gross profit (loss) of product (goods, works and services)
	-	Period costs	

Gross profit (loss) of product (goods, works and services)	+	Other operating income	=	Profit (loss) of the main activity
Profit (loss) of the main activity	+	Losses from financial activities	=	Profit (loss) of economic activity
	-			
Profit (loss) of economic activity	+	Extraordinary Profits and Losses	=	Profit (loss) before payment of income (profit) tax
	-			
Profit (loss) before payment of income (profit) tax	-	Income tax	=	Net profit of the reporting period
	-	Taxes and fees other than profits		

Source: Formulated by the author's suggestions.

The analysis of financial results in international and national practice is carried out in the following order:

The first is the evaluation of financial results by sequence (ie horizontal analysis of indicators);

Second - evaluation of the composition and change of financial results (ie vertical analysis of indicators);

Third - dynamic assessment of indicators for several reporting periods (ie, trend analysis of indicators);

Fourth - Assessment of factors influencing change of indicators (factor analysis).

The analysis uses not only absolute indicators but also relative indicators. They include profitability ratios.

In international practice, the following types of profitability can be defined as relative expressions of financial results.

There are no significant differences in profitability indicators and methodology for their analysis in Uzbekistan and international practice.

In the practice of Uzbekistan, the following types of profitability indicators are paid more attention to: return on assets; current assets profitability; long-term return on assets; profitability of fixed assets; profitability of circulating assets; profitability of own funds; debt capitalization; return on invested capital; profitability of staff and expenses on their behalf; profitability of sales; production profitability.

The key performance indicators and their comparative analysis can be seen in the table below (see Table 3).

Table 3  
Relative expressions of financial results

Profitability indicators	Symptom	Formula	Description of characters
<b>International experience</b>			
Coefficient of gross profit	GPM	GP/PS	GP-Gross profit PS-Proceeds from sales

Net profit ratio	NPM	PS/N P	NP- Net Profit
Sales profitability ratio	ROS	PS /SP,	PS-profit from sales, SP- sales proceeds
Return on assets	ROA	NP / A,	A- assets of the enterprise
Net assets return ratio	RON A	NP /CA	CA- net assets
Private Equity Profitability Ratio	ROE	NP / PE	PE- private equity
The return on investment	ROI	(NP + TP) / (TFS - ShL)	NP – net profit (distributed among proprietors); TP – the amount of interest directed towards payment; TFS – Total amount of financing sources (total balance sheet liability); ShL – short-term liabilities.

Source: Formulated by the author's suggestions.

The most significant differences in international financial reporting standards can also be attributed to the development of the securities market, depending on the level of development of the stock market.

These include the weighted average number of ordinary shares in circulation, the underlying earnings per share, the diluted earnings per share, and the average market price of ordinary shares.

### Conclusions and Suggestions

From the results of the comparative analysis it can be concluded that the analytical capabilities of the financial results report in national practice may be somewhat similar to those of foreign practice, in terms of its shape, width and the width of the vertical lines. However, the problem is not in its structure but in its content.

It should be noted that international accounting standards focus on the following aspects of accounting for income and expenses.

First, there are clear procedures for recognizing revenue and expenditure for the current period;

Second, real and nominal income, minimum profit; prioritization of cash flow (profit quality), gross and net self-financing indicators, calculated through the addition of deductions to target income, depreciation and retirement savings;

Third, the disclosures are important in the statement of profit and loss in financial statements;

Fourth, a major focus in profit and loss analysis is that it focuses on the effectiveness of activities related to securities in the stock market;

Fifth, the disclosure of key, financial and extraordinary profits and losses in profit and loss related to tax, customs legislation, accounting policies and

changes in them, with an emphasis on assessing the impact of inflation on profits and losses.

Application of such aspects in national accounting practice is important methodological, fundamental in assessing business performance, market and business activity, investment and innovation rates, retrospective and projected profit and loss analysis, and future impacts on changes in property, equity and cash flows. we think it is the basis.

### References:

1. The Law of the Republic of Uzbekistan "On Accounting" (new edition). April 13, 2016 No. 404.
2. National Accounting Standards of the Republic of Uzbekistan. Collection. - Tashkent, NORMA, 2018.
3. International Financial Reporting Standards: Publication in Russian. - M.: "ASKERY-ASSA", 2016.
4. Tashnazarov S.N. Financial accounting and reporting: international and national aspects. Monograph. - T.: "Economics-Finance", 2009. P.
5. Alekseeva G.I. Features of the first application of International Financial Reporting Standards // International Accounting. 2014. No. 39. S. 2-14.
6. Valinurova A.A., Guseva A.A. Evaluation of the prospects for the application of IFRS for small and medium-sized businesses in Russia // Accounting in publishing and printing. 2014. No. 1. P. 30–37.
7. Vakhorina M.V. Features of the formation of accounting information in accordance with International Financial Reporting Standards / Everything for an accountant. 2014. No. 4 S. 20–26.
8. Vakhorina M.V. Features of the formation of accounting information in accordance with International Financial Reporting Standards // Accountant and Law. 2014. No. 3. P. 25–31.
9. Vakhrushina M.A. The paradigm of accounting and reporting in the global economy // International Accounting. 2014. No. 25. S. 38-46.
10. Vakhrushina M.A., Malinovskaya N.V. Corporate reporting: new requirements and directions of development // International Accounting. 2014. No. 15. P. 2–9, 138.
11. Getman V.G. On the conceptual framework and structure of the international standard for integrated reporting // International Accounting. 2014. No. 44. S. 2–15.
12. Getman V.G. Reserves for further improvement of accounting in the management of the economy // Accounting in publishing and printing. 2014. No. 4. P. 32–39.
13. Getman V.G. Improving the regulatory framework of accounting and financial reporting // International Accounting. 2014. No. 18. P. 54–58.
14. Karelskaya S.N., Zuga E.I. Reliability and information limits of financial statements // International Accounting. 2014. No. 9. P. 32–44.
15. Kurmanova A.Kh. The principles of generating a report on financial results in domestic and

foreign practice // International Accounting. 2014. No. 11. P. 58–65.

16. Plotnikov V.S., Plotnikova O.V. Analysis of fair value estimates in accordance with the draft concept of international integrated reporting // International Accounting. 2014. No. 9. P. 9–18.

17. Sokolova T.A., Borodin O.S. (Formation of consolidated financial statements in IFRS format // Accounting. 2014. No. 7. P. 17–27.

18. Ibragimov, I. U., & Tursunov, B. O. (2017). Enhancement the mechanism of analyzing of the methodological principles for the development and improvement of methods of assessment. *Аудит*, (4), 11-13.

19. Yuldashev N., Tursunov, B. (2018). Applying of artificial intelligence in the textile industry as factor of innovative development of the branch. *Бюллетень науки и практики*, (4), 396-403.

20. Турсунов, Б. О. (2017). Стратегия развития легкой промышленности Республики Узбекистан. *Вестник Института экономики РАН*, (5).

21. Ibragimov, I. U., & Tursunov, B. O. (2017). Enhancement the mechanism of analyzing of the methodological principles for the development and improvement of methods of assessment. *Аудит*, (4), 11-13.

22. Турсунов, Б. О. (2017). Теоретические аспекты производственной мощности текстильных предприятий в современных условиях. *Научно-аналитический журнал*

*Наука и практика Российского экономического университета им. ГВ Плеханова*, (4), 57-68.

23. Tursunov, B. O. (2017). PRINCIPLES AND FUNCTIONS OF MANAGEMENT OF PRODUCTION CAPACITY. *Вопросы управления*, (3 (46)).

24. Турсунов, Б. О., Кривякин, К. С., & Хакимов, З. А. (2018). МЕТОДИКА ОЦЕНКИ КОНКУРЕНТОСПОСОБНОСТИ ПРОДУКЦИИ ТЕКСТИЛЬНЫХ ПРЕДПРИЯТИЙ. *Научовий вісник Полісся*, 2(2 (14)), 71-77.

25. Ortikmirzaevich, T. (2018). Distinctive features of organization of production at light industry enterprises. *Zbornik radova Departmana za geografiju, turizam i hotelijerstvo*, (47-1), 88-93.

26. Ortikmirzaevich, T. B. (2017). Improving logistics as main factor in textile capacity usage. *Zbornik radova Departmana za geografiju, turizam i hotelijerstvo*, (46-2), 44-52.

27. Ortikmirzaevich, T. B. [2017]. Principles and functions of management of production capacity. *Journal of Process Management. New Technologies*, 5(4), 61-68. [doi:10.5937/jouproman5-15248](https://doi.org/10.5937/jouproman5-15248)

28. Tursunov, B. (2017). Role of Managing Industrial Stocks in Increasing of Textile Enterprises Capacity. *Journal of Applied Management and Investments*, 6(4), 260-266.

IJSER