PROCEDURE FOR TRANSFORMATION OF FINANCIAL STATEMENTS ON THE BASIS OF INTERNATIONAL STANDARDS

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ABSTRACT. In this article have been discussed the procedure for compiling and converting reports prepared on the basis of national accounting based on international financial reporting standards. He also addressed issues about the differences between existing forms of financial reporting and international forms of financial reporting and the procedure for their preparation.

Index terms - financial statements, national accounting standards, international accounting standards, international financial reporting standards, statement of financial position, income statement, statement of cash flows, statement of changes in equity

1.INTRODUCTION

The attraction of foreign direct investment in the economy of our country, the establishment and operation of free economic zones make it necessary to organize accounting on the basis of international financial reporting standards. At present, international financial reporting standards are increasingly used by businesses in the preparation of accounting information aimed at meeting the needs of external users. This situation is explained by a number of reasons, such as improving the quality of information, reducing the value of capital, facilitating access to capital markets. The issues of further development of economic entities are also identified in the priorities identified in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021. [1]

2.LITERATURE REVIEW

Issues properties of accounting income in four East Asian countries and implications for the acceptance of IAS and international Financial Reporting Standards were studied by Ball, R., Robin, A., and Wu, J. [4], Brown, P.[5], Ergasheva Sh.T. [6].

Basic principles, methods and problems of drawing up consolidated financial statements under IFRS were researched by Ovcharenko V.[7], Ergasheva Sh.T. [6;17;18;19] and others. Methodical aspects of establishing a control system over compliance with principles of decent work and social security in textile enterprises were researched by Gulnora Kalandarovna Abdurakhmanova and others [8;10] Innovative development of Uzbekistan agroindustrial complex were dedicated works of Yldashev, N., Nabokov, V. I., Nekrasov, K. V. [11;12]. Estimation methodology of efficiency of production capacity management at textile enterprises were investigated by Kirill K. and others [13]. Role of Managing Industrial Stocks in Increasing of Textile Enterprises Capacity were studied by Tursunov B. and others [9;14;15].

3.ANALYSIS AND RESULTS

More than 4,200 joint ventures with foreign investment have been established in the leading sectors and industries of the country's economy. Of these, more than 850 are in the Russian Federation, 396 in the United Kingdom, 242 in the United States, 159 in Kazakhstan, 114 in Germany and other countries. The size of free economic zones is also growing. Naturally, such an environment requires the organization and maintenance of accounting in accordance with International Financial Reporting Standards (IFRSs).

A number of scientific works are being carried out among economists on the procedure for preparing financial statements in accordance with international standards. In particular, V. Ovcharenko, a Ukrainian scholar and head of the national audit and consulting company PSP, acknowledges that the transition to International Financial Reporting Standards (IFRSs) is a tool for businesses around the world to maintain a high level of accounting, financial reporting and comparison [1] . SN Tashnazarov, on the other hand, said that the transformation of financial reporting is based on the reclassification of accounting components in accordance with the rules of International Financial Reporting Standards, re-recognition, revaluation, correction and re-disclosure of their items, compiled on the basis of national accounting standards as of the reporting date. IFRS reporting is a process of transformation and reorganization into a new information system. ”

In this regard, the description of the transformation of the financial statements is based on the date of its transfer, the main content of which is to convert the report from national standards to financial statements based on international standards, regrouping, re-recognition, revaluation, adjustment in accordance with IFRS. we think it is necessary to emphasize that it is a process of transformation and reorganization into a new system that forms information that meets international requirements. Based on the results of research on financial reporting, we give the following definition of financial transformation: the application of International Financial Reporting Standards (IFRSs) is not a mandatory document, it is of a recommendatory nature. It does not specify the forms of financial reporting that enterprises are required to submit, as in national standards. IFRSs define the main components of financial statements and the minimum information content that should be reflected in them. The application of IFRSs is a matter for the exclusive competence of the company.[20]

It is well known that IFRSs cannot be passed directly at any time, without preparation. Even if unprepared financial statements are transformed under IFRSs, they will not produce the expected results. Therefore, the environment, conditions, and certain preparatory work must be carried out before applying IFRSs for the first time or transforming a financial statement based on national standards.[21]

Joint-stock companies operating in the Republic of Uzbekistan, enterprises with other foreign investments prepare financial statements in accordance with the Law on Accounting and IFRS. In order to have the above capabilities, the company is required to prepare and present financial statements in accordance with IFRSs. So how is financial reporting based on IFRSs, which opens up such great opportunities and ensures the transparency of the company, and how can it be achieved? There are two recognized ways to do this.

The first way is to transform the IFRS-based financial statements into IFRSs (Figure 1);

The second way is to maintain a parallel accounting system in accordance with IFRSs side by side with the national accounting system (Figure 2).

There is one requirement in both ways. In-depth knowledge of IFRSs and IFRSs, practical competence in their application.

The first method is the most widely used, low-cost, and relatively high level of complexity. It should be noted that there are no IFRSs that define the procedures and rules of financial reporting transformation. Therefore, each enterprise must independently develop the fundamentals of transformation in its accounting policies. To this end, it is expedient to develop general approaches to transformation, to generalize the accumulated experience.

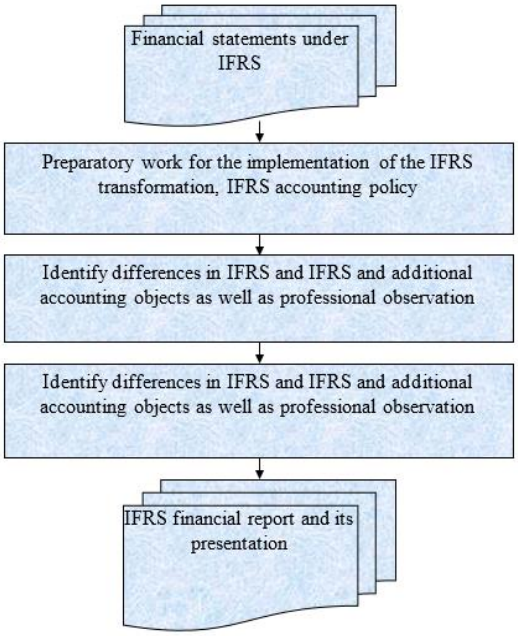

Figure 1. Stages of transformation of financial reporting.

The main important rules of the transformation process are:

• Accounting for IFRSs is an independent decision of each company, independently determines its need and transition to it;

• IFRSs are not mandatory, this document only gives impetus to act;

• IFRS accounting takes precedence over form over economic content;

• IFRSs prioritize fair evaluation;

• The choice of IFRS accounting method (transformation or parallel accounting) is an internal matter of the company;

• There is no single algorithm and sequence of transformation;

• Transformation is approached individually in each case;

• Transformation is a complex process, requiring a professional approach;

• Methodology and stages of transformation are determined independently;

Reclassification, revaluation, correction postings are the main methods of transformation.[22]

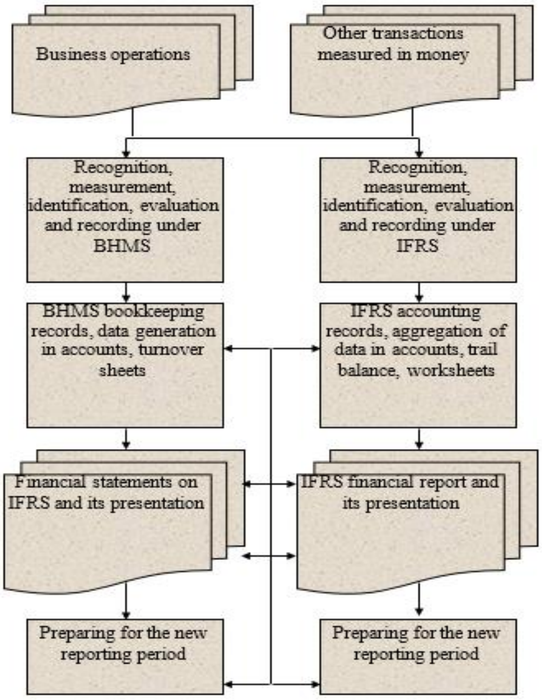

Figure 2. Scheme of parallel accounting for IFRS

The use of the transformation method in the transition to IFRSs does not give a 100% result in a sudden and error-free financial statement. This is because the financial statements under IFRS are shaped by many factors. It is a very difficult process to fully cover them on the first try. Only in the first transformation should large errors be avoided. The experience of transformation is gradually being formed, and as a result, the reliability of financial transformation, which is transformed from year to year, is increasing. Therefore, companies in Uzbekistan need to start the transformation of financial statements on the basis of IFRS today in order to get good results tomorrow. If companies do not feel the need to prepare financial statements on the basis of IFRS today, they will feel the need to do so tomorrow. Therefore, in order to meet tomorrow's need, it must begin the transformation today.

It is advisable to carry out the transformation process in the following sequence:

First, it is necessary to prepare analytical accounting data, if necessary, the initial documents, which reflect the components of the financial statements prepared in accordance with national standards, as well as the balance sheet, profit and loss and other reporting items extensions.

Second, reclassification, revaluation of assets, liabilities and elements of private capital. The profit and loss statement also reclassifies and evaluates each relevant item in accordance with international standards. Similarly, measures should be developed to bring other reporting items into line with the requirements of individual international standards.

Third, it is necessary to make appropriate adjustments to bring it to the level of IFRSs, to develop a schedule of additional wiring.

Fourth, prepare a report that meets the requirements of IFRSs after appropriate adjustments have been made using accounting entries.

Fifth, the correct use of terms plays an important role in the transition to IFRSs. Terms in reports based on national standards, naming of indicators, their abbreviations should be transferred to terms that meet international standards. If the value of the indicator based on regrouping and evaluation meets international standards, but its naming is not appropriate, it will be difficult to read, leading to confusion. For example, to think of "Property, buildings, machinery and equipment" as the main tool. Therefore, it is necessary to bring the system of terms in line with international standards.

There is no single methodology for transforming financial statements based on national standards into financial statements based on international standards. It is expedient for each enterprise to develop a methodology of the transformation process based on the nature of its financial and economic activities, resources and professionalism of its employees. In our view, every enterprise must develop an accounting policy on financial reporting transformation. Therefore, the company must have the following conditions to carry out the transformation of financial reporting:

The company needs to have financial statements prepared in accordance with IFRSs. Users of internal and external information of the company must have an environment in which to use the financial statements prepared in accordance with IFRS and make decisions based on them;

Financial statements prepared on the basis of national standards must be objective, reliable, consistent and fully comply with the Law on Accounting and the National Accounting Standards of the Republic of Uzbekistan. It is advisable to obtain an audit opinion. In the case of large differences and falsifications, as well as deviations from the requirements of national standards, the transformation does not give the expected result. This is because the financial statements prepared on the basis of IFRSs are the raw material for the financial statements prepared under IFRSs.

• A modern management system of the enterprise, in particular, the management system of the financial department, which should include a department of financial accounting and reporting.

• The company must have a stable financial position. The transformation of the financial statements of companies with unstable, chronic losses will not be sufficiently transparent and will not yield the expected result.

• The company must have professionals who know IFRS, have in-depth professional training in accounting and financial reporting, and can apply economic mathematics. Because transformation is a process that is difficult, complex, and requires a professional approach. There is a need for specialists who are fluent in a foreign language and have trained abroad in the field, working in the field of finance in foreign companies.

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When applying IFRS, special attention should be paid to the preparation of the first report. In this regard, “the submission of an initial report on IFRS is a very laborious and complex process, requiring a skilled approach to the interpretation of indicators, professional evaluation and collection of very large amounts of reliable information. In order to prepare the initial IFRS report for 2015, the company must already begin the transformation of the report for previous years, the valuation of assets and liabilities. It is reasonable to say that after the "closing" of the current reporting year, it is necessary to prepare a financial report for IFRS 2015 for publication.

In accordance with IFRSs, the principle of “Content takes precedence over form” is used in preparing financial statements. This means that in our national accounting system, all processes are documented in a comprehensive and continuous manner. International principles, on the other hand, focus not on the form and documentation of the transaction, but on its economic nature. For example, valuation based on fair value in many ways fully describes the economic content of the process. Therefore, international standards give priority to fair assessment. One of the main qualitative characteristics of financial statements based on IFRSs is their coherence, ie the extent to which they can influence decisions and their reliability, ie the extent to which information reflects objective and objective processes.

The transformation process can be divided into several stages. Each company approaches this at the level of its capabilities and professionalism. In our opinion, we can conditionally divide any work to be divided into three stages, for example, the first stage is preparation for the implementation of this work, then the implementation of the second stage and the final third stage to achieve the result and deliver it to users and customers. From this point of view, it is expedient to conditionally divide the process of transformation into stages of preparation, carrying out and achievement of results and its presentation:

1) The stage of implementation of preparatory work.

2) The stage of implementation of the transformation process procedure.

3) The final stage.

The transformation method has its advantages and disadvantages (Table 1).

table 1

Advantages and disadvantages of the transformation method

Advantages	Disadvantages
It is a low-cost and cost-effective accounting system compared to parallel accounting	The risk of error is high, there is a possibility of significant falsification of data
Time is wasted on accounting	A subjective approach may allow for subjective assessment
	It is limited only by the transformation of the data in the report, the transformation does not reach the intermediate aggregate information and the information in the source documents
The accounting procedure is much simpler than parallel accounting, once a good procedure is developed, there will be no difficulties in processing the data, the reliability of the data can be achieved	Account efficiency is weak
The effectiveness of this method is directly related to the established procedure, model, method and professional knowledge of the employee	
Demonstration of correction notes, i.e. the ability to draw clear conclusions in differentiation	Depends on the financial statements prepared for IFRSs. Without it, a report on IFRSs cannot be prepared
	If there are errors and omissions in the financial statements prepared under IFRSs, it will certainly have a negative impact on the transformed statement;
	There is a possibility of wasting time. This is because the financial statements are prepared on the basis of IFRSs. It takes a long time;

Calculations based on IFRS assessments and calculations based on various reclassifications require a lot of additional information and analysis based on an in-depth professional approach. For the reporting transformation, it is necessary to identify the fundamental differences between the transformation organization BHMS and IFRS. This requires an in-depth knowledge of both IFRSs and IFRSs and international experience. In the process of the transformation table, the items of the national balance sheet should be disclosed on the balances of the accounting accounts attached to it. By assuring their accountants in solving the economic problems faced by a modern accountant and each manager in the development and financial sustainability of a bank or company, their high qualifications and work experience are the closest to international practice, ie International Financial Reporting Standards (IFRS). should be considered as a helper. This will become one of the important factors in the further development of the economy of our republic.

One of the important stages in the transformation process is the transformation table and the following form is proposed (Table 2).

table 2

Schedule of transformation of financial statements based on IFRSs on the basis of IFRSs

IFRS financial statements	**The result at the beginning of last year (residual)**	**IFRS corrections of previous years**	**The result after correction**	*Reclassification*	*This year's corrections*	*Result at the end of the year (according to IFRS)*
Assets:						
Long-term assets (for each item)						
Current assets (for each item)						
Liabilities (for each item)						
Capital and retained earnings (for each item)						
Statement of financial position						
Profit and loss statement						
Flow						
Cost						
Gross profit						
Operating expenses						
Income and expenses related to financial activities						
Basic						

Also, the introduction of a model organizational structure, taking into account the scope of activities of joint-stock companies, the characteristics and directions of the industry, increasing the transparency of joint-stock companies, their publication of financial and audit reports on international standards. It should be noted that in 2015-2018, all joint-stock companies will publish annual financial statements and receive external audits for information in accordance with International Standards on Auditing and International Financial Reporting Standards. approval of the schedule for publication of financial statements in accordance with international standards. "[2]

Although the requirements of the National Accounting Standards (NAS) of the Republic of Uzbekistan are very close to the requirements of IFRS in many positions, but differences in other, and sometimes key positions, still remain. Most importantly, there are differences in approaches to accounting for items such as property, plant and equipment, inventories, and intangible assets, which are available to a large proportion of operating businesses. In turn, most practicing accountants have to recalculate these assets when conducting transformation procedures. In the context of a globally integrated economy, economic relations are established between business entities, banks and other financial corporations of different countries. This requires international cooperation entities to prepare financial statements on the basis of the same principles and rules that do not contradict each other, in accordance with international standards for a single "business language".

With this in mind, the implementation of the above ideas will ensure that financial reporting is understandable to potential foreign investors, improve the investment climate in the country, increase the ability to submit financial statements to international exchanges, ensure the timeliness and effectiveness of decisions. As a result, economic efficiency will be achieved through product cost reduction, efficient use of resources, export potential of companies will increase, product competitiveness will increase, opportunities for financial incentives for employees will increase, professional skills of accountants and auditors will increase.

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