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**CURRENT ISSUES OF INTRODUCTION OF INTERNATIONAL  
STANDARDS OF FINANCIAL REPORTING AND AUDITING IN THE  
INNOVATIVE ECONOMY**

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**ABSTRACT**

*The number of enterprises engaged in foreign trade operations and attracting foreign investment in the innovative development of the economy is growing. At the same time, despite the measures taken to introduce modern methods of corporate governance, there are still systemic problems that hinder the introduction of international financial reporting and auditing standards, providing the necessary information environment for foreign investors. This article describes the important aspects of the introduction of international standards of financial reporting and auditing in Uzbekistan, the priorities that need to be addressed in the first place, and conclusions and recommendations for their solution.*

**KEYWORDS:** *Accounting, Financial Statements, International Financial Reporting Standards (IFRS), Audit, International Standards On Auditing (ISA), Auditor, “IT Accountant-Auditor”.*

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**INTRODUCTION**

In recent years, the process of integration of our economy into the world market has been consistent. In particular, the ongoing socio-economic reforms are aimed at ensuring long-term sustainable economic growth by increasing production efficiency in all sectors and industries of the economy.

Uzbekistan's integration into world business necessitates the submission of financial statements of local businesses interested in cooperating with international investors in a clear, transparent, reliable and clear manner in accordance with generally accepted rules in accordance with the requirements of international standards. This requires a number of positive steps in the field of accounting and auditing on international standards in order to improve investment policy and attract foreign investment in ensuring political and macroeconomic stability [3].

Analytical data on the application of financial concepts in the world community today on the basis of existing concepts and principles of internationally recognized financial standards in industries and sectors of the economy are presented in the following table:

**TABLE 1 APPLICATION OF GENERALLY ACCEPTED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN INDUSTRIES AND SECTORS OF THE ECONOMY (PREPARED BY THE AUTHOR)**

<b>Types</b>	<b>Recognized International Financial Reporting Standards</b>	<b>Areas of application and industries</b>
1.	<b>IAS</b> (International accounting standards)	Business entities operating in all sectors and industries of the economy
2.	<b>IFRS</b> (International finance reporting standards)	
3.	<b>IAS</b> (International auditing standards)	
4.	<b>IPSAS</b> (International public sector accounting standards)	Public sector organizations (private)
5.	<b>GAAP</b> (General accounting accepted principles)	Commercial and nonprofit organizations (mainly in the US)

Today, International Financial Reporting Standards (IFRSs) are used in most countries around the world. At present, a lot of research and practical measures are being taken to implement these standards in the practice of the republic.

### **LITERATURE REVIEW**

In particular, the transition and introduction of IFRS by scientists such as S. Djumanov, A. Avlakulov in our country remains a topical issue for all countries [1, p. 56], the main purpose of the transition to international standards is to enter the international market and attract investment; as well as a favorable investment climate, transparency of companies, accountability of management to shareholders, the introduction of modern methods of corporate governance make an important contribution to the development of joint stock companies [2].

It should be noted that the study of IFRS methodology should begin with the principles set out in the Conceptual Framework for the Preparation and Presentation of Financial Statements. This document is not standard and does not have a number, but it does provide a clear basis for understanding IFRS [4]. The principles set out in it are based on concepts. The reliability of information in financial statements allows internal and external users to forecast future cash flows from operating, investing and financing activities of business entities and to make important economic decisions on this basis.

Over the past years, the country has improved the regulatory and methodological framework for accounting and auditing, as well as introduced a simplified and indefinite system of licensing of auditing activities. This, in turn, has led to the formation of a market for accounting and auditing services and the integration of local professional organizations into major international networks. At the same time, some problems and shortcomings in the industry hinder the further development of auditing, improving the quality of corporate governance and increasing the importance of professional accounting and auditing services.

### **ANALYSIS AND RESULTS**

In recent years, a number of new regulations have been adopted to address the existing problems in the industry. In particular, the resolutions of the President of the Republic of Uzbekistan No PD-3946 “On measures for further development of auditing in the Republic of Uzbekistan” dated September 19, 2018 and No PP-4611 “On additional measures for the transition to International Financial Reporting Standards (IFRS)” dated February 24, 2020 is a clear example of this.

In accordance with these regulations, starting from January 2020, audit organizations will conduct auditing activities only on the basis of international auditing standards published by the International Federation of Accountants, and radically review the process of preparation and coordination of business entities for transition to IFRS. In particular:

1. From the end of 2021, a list of persons who will be required to prepare financial statements on

the basis of IFRS has been established. The list includes joint-stock companies, commercial banks, insurance companies and legal entities included in the category of large taxpayers. It is stipulated that from January 1, 2021, they will organize the maintenance of accounting on the basis of IFRS, provide adequate accounting staff for the quality application of international standards.

2. Taking into account the need to train many qualified specialists with sufficient knowledge and skills, the issues of organizing activities on the basis of a completely new comprehensive approach to the training of national personnel were also identified. In this case:

During 2020-2025, the costs of first-time training, advanced training, as well as registration for the examination in the framework of international certification of accountants (under ASSA programs) under IFRS will be covered from the national budget;

Applicants with an international certificate of accounting have the right to study on a fee-for-service basis without having to pass entrance examinations in the specialties of “Accounting” and “Audit” of the master's degree of higher education.

These conditions, along with the timely training of qualified practitioners in the field of IFRS, also laid the foundation for the establishment of a national system of training for the industry.

In order to build a digital and innovative economy in today's rapidly evolving globalization process, of course, the introduction of clear and transparent, integrated and continuous, uniform and understandable accounting systems and forms for all is a critical task in all areas and sectors.

In accordance with our national legislation, the subjects of accounting are public authorities and administration, legal entities registered in the Republic of Uzbekistan, their subsidiaries, representative offices, branches and other structural units located in the territory of the Republic of Uzbekistan and abroad. It is also stipulated that persons engaged in entrepreneurial activities without forming a legal entity, citizens' self-government bodies, as well as representative offices, branches and other structural subdivisions of foreign legal entities in the territory of the Republic of Uzbekistan shall keep records and submit reports.

In accordance with IFRS, any assets, liabilities, capital, reserves, income, expenses, profits and losses, and business transactions related to their movement are defined as objects of accounting [5].

In recent years, the acceleration of globalization and integration processes around the world has led to a sharp increase in the need for national companies to organize the process of accounting and auditing on the basis of international standards. On the other hand, the rapid development of information technology creates the basis for fully automated accounting. The development of artificial intelligence, digitization and block chain technologies also has an impact on this, creating the ability to manage all operations of companies and organizations on the basis of special computer programs and applications in any space and time.

Based on the experience of developed countries and the results of scientific research in the field, it can be said that in the near future the work on accounting will be fully digitized in all sectors and industries of the economy, including the public sector. This, in turn, will lead to a sharp reduction in jobs in the field of accounting in all sectors and industries of the economy. Therefore, the issue of training for the future in the field of accounting and auditing is becoming a very important task today.

Currently, the issue of introducing the digital economy in all sectors and industries of the country is in the spotlight. Relevant normative and legal documents have been adopted in this regard.

However, in practice, in the activities of business entities related to the organization of accounting and its control, there are old views, reporting forms, chart of accounts, standards, methodology, paperwork and time-consuming elements that do not meet today's requirements. In particular, financial reporting forms, chart of accounts in banks, non-bank credit organizations, insurance companies, as well as some large joint-stock companies, which are the financial sector of the

economy; in enterprises and organizations of the real sector of the economy, if the methodology is carried out as close as possible to the requirements of IFRS; as well as accounting in public institutions is based on forms and methods that do not meet the requirements of the modern era, which is still “inherited” from the former Soviet era.

Concerning the results of the analysis of general problems related to the organization of accounting and reporting, auditing of all types of enterprises and organizations, institutions - legal entities in the country, we consider it appropriate to note the following most important issues:

1. Organization of activities on the basis of various regulations, depending on the form of management;
2. The absence of the principle of oneness, which is the same for all;
3. Chart of accounts and financial reporting forms differ significantly from each other depending on the category of entities;
4. Preparation of financial statements in different approaches and forms for internal and / or external users.

These circumstances, of course, have a negative impact on the strong position of the country's economy in the international arena, the attraction of investments on a larger scale and on favorable terms, the intensification of integration processes, further increase the export potential and competitiveness of Uzbekistan.

## **CONCLUSIONS AND RECOMMENDATIONS**

Therefore, we consider it expedient to solve the above-mentioned problems in a very short period of time with intensity, consistency and determination, and make the following practical suggestions and recommendations:

**First**, it is necessary to carry out radical reforms in the system of training highly educated personnel in the field of accounting and auditing in our country.

In recent years, the acceleration of globalization and integration processes around the world, the rapid development of information technology has led to a fully automated accounting. The development of artificial intelligence, digitalization and block chain technologies also have an impact on this.

All operations of companies and organizations are carried out on the basis of special computer programs and applications in any place and time without human intervention. This, in turn, will lead to a sharp reduction in jobs in the field of accounting in all sectors and industries of the economy.

Therefore, in the future, due to the reduction of the old, traditionally established admission quota for undergraduate and graduate specialties in the field of accounting and auditing, instead of training in the field of “IT-accountant-auditor” it is expedient to set it up;

**Secondly**, it is necessary to accelerate the full implementation of IFRS in enterprises and organizations of all sectors of the economy, as well as in budgetary organizations and institutions of the state system, in general, in commercial and non-commercial organizations - legal entities.

At the same time, digitization of all processes related to financial accounting in accounting, the creation of software algorithms and the establishment of a wide and effective use of their capabilities; we believe that it is expedient to rely on the principle of “Single Chart of Accounts, Single Report and Single Software”.

The implementation of these proposals and recommendations will serve to further expand and improve the comprehensive reforms in the field of accounting and auditing in Uzbekistan, thereby attracting investment to the economy of our country on a larger scale and on favorable terms; we believe that it will allow the integration process to intensify, further increase the export potential

and competitiveness.

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