



Procedure For Transforming Financial Statements On The Basis Of International Standards

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Annotation. The article defines the procedure of making and converting national accounts based on international reporting standards. In addition to provides detailed information about the difference between existing reporting forms from international financial reporting and the procedure of preparation.

Key words: Financial report, national accounting standards, international accounting standards, international financial reporting, statement of financial position, statement about income and outcome, cash flow reporting, statement of changes equity.

1. Introduction.

In his "Address to the Oliy Majlis on the most important priorities for 2019", the Honorable President stated that "... we should fully implement the National Accounts System of the United Nations and the International Monetary Fund in our republic from January 1, 2020."

Secondly, the designation of 2020 as the "Year of Science and Digital Economy Development" and the implementation of the adopted program depend on the formation of the investment environment and the widespread involvement of foreign investors in the economy. To achieve these goals, it is very important to move to international standards of financial reporting that are recognized all over the world.

Today, the financial report prepared according to the international standards of financial reporting (in the following text) is becoming the basis for making financial, management and strategic decisions by companies, ensuring the execution of important functions such as planning, control and ensuring the integrity of capital. In such conditions, the application of the International Financial Information Exchange as an instrument of international financial information exchange is gaining special relevance, because the transition of economic entities of our country to understandable and reliable reports not only in Uzbekistan, but also abroad is a very important element of the reforms being implemented in the accounting system [5].

2. Literature review.

Among economists, a number of scientific works are being conducted on the procedure for preparation of financial statements based on international standards.

According to V. Ovcharenko, a Ukrainian scientist and the head of PSP national auditing and consulting company: "Transition to International Financial Accounting Standards (IFAS) is a tool



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that helps business entities in the world to conduct accounting at a high level, prepare and compare financial reports" [1].

In his opinion, S.N. Tashnazarov, financial reporting transformation is regrouping of report component items based on national accounting standards as of the reporting date in accordance with the rules of international financial reporting standards, re-recognition, re-evaluation, corrections and re-disclosure of their items. based on this, it is the process of transferring and reorganizing the information of the reports of the Ministry of Internal Affairs and Communications to the new system.

3. Analysis and discussion of results.

In defining the transformation of the financial statement, the date on which it was carried out, its main content is aimed at transferring the report prepared on the basis of national standards to the financial report prepared on the basis of international standards, meeting the international requirements based on the regrouping, re-recognition, re-evaluation, corrections in the case of transformation in accordance with the International Financial Reporting Standards. we think that it is necessary to emphasize that it is a process of overturning and reorganizing information into a new system. Based on the results of research on financial reporting, we give the following definition of financial reporting transformation:

Application of International Financial Reporting Standards (IFRS) is not a mandatory document, it is a recommendation. It does not specify the forms of financial statements that enterprises must submit, as in national standards. IHSS defines the main components of financial statements and the content of the minimum information reflected in them. Application of MXCC is a matter of absolute competence of the company.

It is not possible to go directly to MHXS at any time, without preparation. If unprepared, the financial statement will not give the expected result even if it is transformed according to the MFRS. Therefore, when applying IFRS for the first time or before transforming financial statements based on national standards, the environment, conditions and certain preparatory work must be carried out.

Joint-stock companies operating in the Republic of Uzbekistan, enterprises with participation of foreign investments prepare financial reports in accordance with the Law on Accounting and BHMS. In order to have the above opportunities, the company requires the preparation and presentation of financial statements based on its financial statements. So, how to prepare a financial statement based on the company's financial statements, which open up such great opportunities and ensure transparency of the company? and how to achieve it? There are two recognized ways to do this:

The first way is to transform the financial statement prepared on the basis of BHMS on the basis of MHXS (Figure 1);



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The second way is to maintain a parallel accounting system in accordance with the national accounting system alongside the national accounting system (Fig. 2).

Both paths have one requirement. Deep knowledge of BHMS and MHXS, having practical competence in their application.

The first way is the most widely used, low-cost and relatively uncomplicated. It should be noted that there are no MHSSs that determine the procedures and rules of financial statement transformation. Therefore, each enterprise should independently develop the principles of transformation in its accounting policy. For this purpose, it is appropriate to develop common approaches to transformation, to summarize the accumulated experiences.

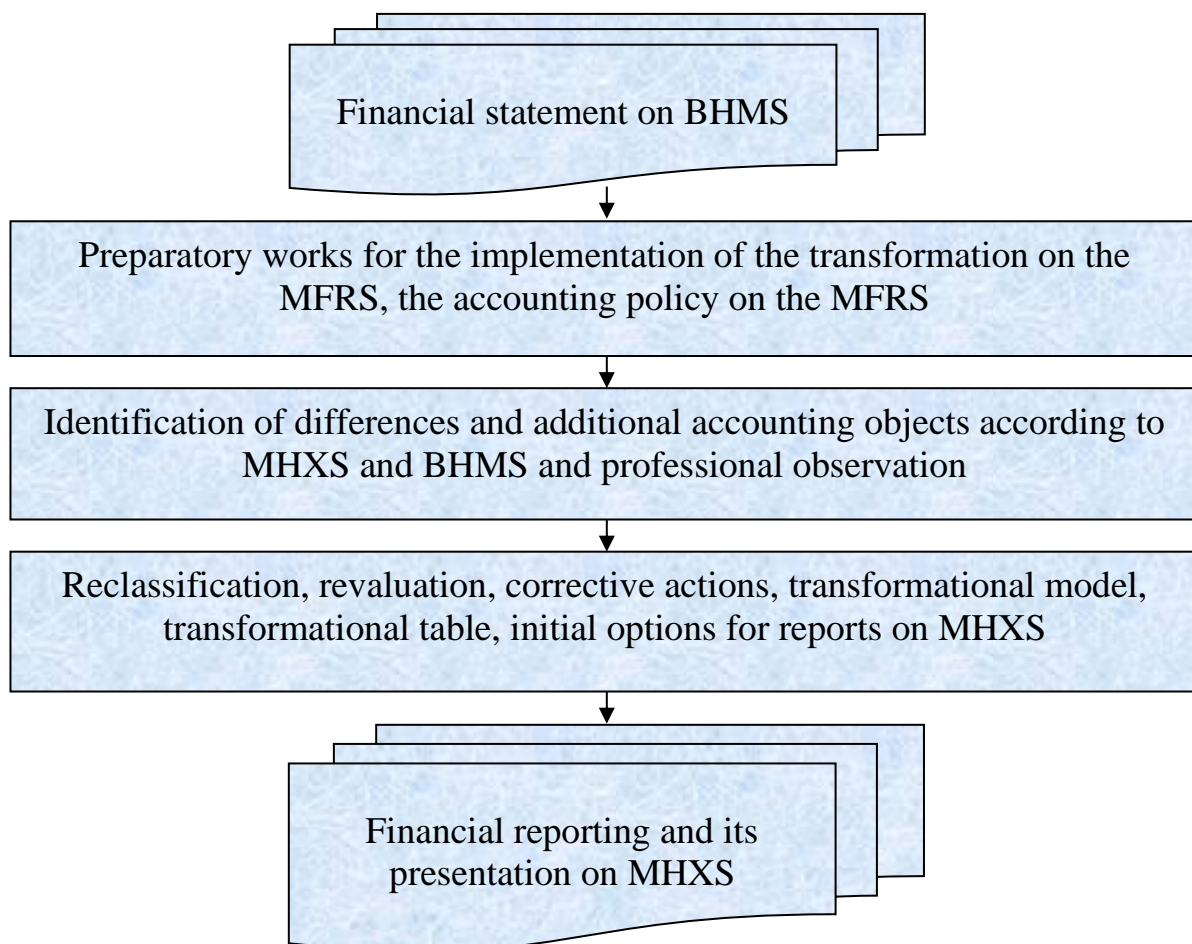


Figure 1. Financial statement transformation stages



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The main important rules of the transformation process:

- Accounting according to MHXS is a matter for each company to decide independently, it independently determines its necessity and transition to it;
- MHSS are not mandatory, this document only encourages action;
- Predominance of economic content over form applies when accounting according to MHSS;
- MFRSs prioritize fair assessment;
- Choosing the accounting method (transformation or parallel accounting) is the internal business of the company;
- There is no single algorithm and sequence of transformation;
- Transformation is approached individually in each case;
- Transformation is a complex process that requires a professional approach;
- Methodology and stages of transformation are determined independently;
- Reclassification, revaluation, and corrective actions are the main methods of transformation.

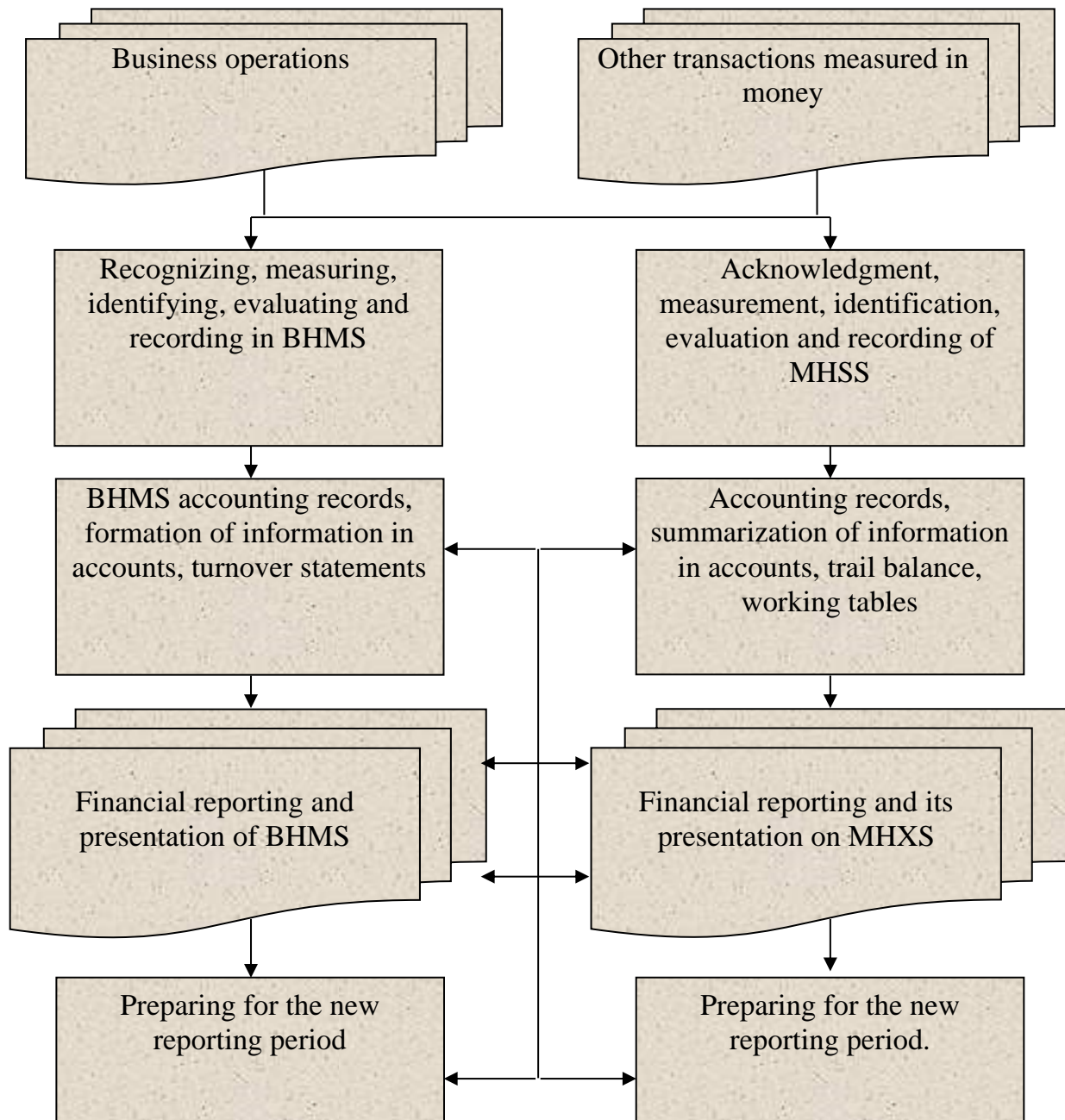


Figure 2. Scheme of parallel accounting for MHSS

The application of the transformation method in the transition to financial statements does not immediately give 100% results and error-free financial statements. Because the financial report



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on MHXS is formed due to many factors. It is a very difficult process to cover them completely in the first attempt. Only in the first transformation, large errors should not be allowed. The transformation experience is gradually formed, and as a result, the reliability of the transformed financial statements increases from year to year. Therefore, companies in Uzbekistan should start the transformation of financial statements based on MFRS today in order to get better results tomorrow. If companies do not feel the need to prepare financial statements based on their financial statements today, they will definitely feel the need tomorrow. Therefore, to meet tomorrow's need, it must start the transformation today.

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

- First, it is necessary to prepare financial reporting components prepared according to national standards, as well as analytical accounting data reflecting the balance sheet, profit and loss, and extensions of other reporting items, and, if necessary, initial documents.
- Second, reclassification and revaluation of assets, liabilities and private capital elements. Reclassification and valuation of each relevant item in accordance with international standards also in the statement of profit and loss. Similarly, it is necessary to develop measures to harmonize other reporting items with the requirements of international standards.
- Thirdly, it is necessary to make appropriate corrections to bring it to the level of MHXS, develop an additional wiring schedule.
- Fourthly, after the appropriate corrections have been made using the accounting records, the preparation of the report is in accordance with the requirements of the MFRS.
- Fifth, the correct use of terms plays an important role in the transition to MHXS. It is necessary to transfer the terms, names of indicators, their abbreviations to the terms corresponding to international standards in the reports prepared on the basis of national standards. If the indicator's value based on regrouping and evaluation is in accordance with international standards, but its naming is not appropriate, it becomes difficult to read and causes confusion. For example, it is not the main asset to keep as "Property, building, machine and equipment". Therefore, it is necessary to harmonize the system of terms 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 appropriate for each enterprise to develop a transformation process methodology based on the nature of its financial and economic activity, resources and professional level of its employees. In our opinion, every enterprise must develop an accounting policy for the transformation of financial statements. Therefore, the company must meet the following conditions for financial reporting transformation:

- The company must have a financial report prepared according to its MHSS. Internal and external information users of the company must be able to use the financial report compiled according to the MFRS and make decisions based on it;



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➤ the financial report prepared on the basis of national standards should be objective, reliable, consistent and fully comply with the Law on Accounting and the National Accounting Standards of the Republic of Uzbekistan. It is desirable to obtain an audit opinion. In cases where differences and falsification and deviations from the requirements of national standards are large, the transformation will not give the expected result. Because the financial report prepared on the basis of BHMS is the raw material for the financial report prepared on the basis of MHSS.

- the enterprise's modern management system, in particular, the management system of the financial department, which should include a financial accounting and reporting department.

- the company must have a stable financial position. Transformation of the financial statements of unstable, chronically loss-making companies will not be transparent enough and will not give the expected result.

- the company should have specialists who know the MFRS, have deep professional training in the field of accounting and financial reporting, and can apply economic mathematics. Because transformation is a difficult, complex and professional process. There is a need for experts who have a perfect command of a foreign language and who have advanced their qualifications abroad, who have worked in foreign companies in the field of finance.

Special attention should be paid to the preparation of the first report in the application of MHXS. In this regard, "Presentation of the preliminary report on MHSS is a very laborious and complex process, which requires a competent approach to the interpretation of indicators, professional assessment and collection of a large amount of reliable information. In order to prepare the preliminary report on MHXS for 2015, the company must now start transforming the report for previous years, evaluating assets and liabilities. After "closing" the report this year, in order to publish it, it is necessary to draw up the financial report on the 2015 MHSS" are fully justified.

The principle of "Content prevails over form" is followed in the preparation of financial statements in accordance with the Financial Reporting Standards. This means that all processes are comprehensively and continuously documented in our national accounting system. International principles focus not on the form and document of the operation, but on its economic nature. For example, valuation based on fair value largely describes the economic content of the process. Therefore, international standards prioritize fair evaluation. One of the main quality characteristics of the financial report prepared on the basis of MFRS is its consistency, i.e. the extent to which it can influence the decisions made, and its reliability, i.e. the extent to which the information reflects objective and truthful processes.

The transformation process can be divided into several stages. Each company approaches this according to its capabilities and level of professionalism. In our opinion, we can conditionally divide any performed work into three stages, for example, the first stage is preparation for the implementation of this work, then the second stage is its implementation, and then the third stage is to achieve the result and deliver it to users and customers. Based on this point of view, it would be



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appropriate to conditionally divide the transformation process into the stages of preparation, implementation, and achievement of the result and its presentation:

- 1) Stage of implementation of preparatory work.
- 2) Implementation stage of the transformation process procedure.
- 3) Result stage.

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

Table 1. Advantages and disadvantages of the transformation method

Advantages	Disadvantages
Compared to parallel accounting, it is a low-cost and economical accounting system	There is a high risk of making a mistake, the possibility of serious falsification of data
Accounting takes time	Subjective approach, subjective assessment can be allowed
The accounting procedure is much simpler than the parallel accounting, if a good procedure is developed once, there will be no difficulties in processing the data, and the reliability of the data can be achieved.	Limited to the transformation of the data in the report, the transformation does not reach the information in the interim summary and the initial documents.
The effectiveness of this method directly depends on the established procedure, model, method and professional knowledge of the employee	Account operation is slow
Visualization of correction records, that is, the ability to make clear conclusions on differences	There is a dependence on the financial statements prepared by BHMS. If it is not made, it is not possible to make a report on MHSS
It is possible to improve the system every year, find more efficient methods and eliminate the existing shortcomings, as a result, in a few years, it will be possible to create a perfect system suitable for this company, and it can be evaluated as know-how.	If there are errors and omissions in the financial report prepared for BHMS, it will definitely have a negative impact on the transformed report;
	There is a possibility of losing time. Because this report is prepared after the financial statement is prepared on the basis of BHMS. It takes a long time;



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	Transformation procedures and methods developed in one company cannot be fully applied to another company. Each company requires a different approach.
	The lack of access to factors applicable at the time of the transaction, such as initial value, exchange rate at the time of the transaction, and actual cost, results in the use of an average amount. This can lead to deviations from the actual value.

One of the important steps in the transformation process is the following form of the transformation table (Table 2):

Table 2. The table of transformation of the financial statement prepared on the basis of BHMS on the basis of MFHSS

<i>Financial statement items under BHMS</i>	<i>The (residual) result at the beginning of last year</i>	<i>MHXS corrections of previous years</i>	<i>The result after corrections</i>	<i>Reclassification</i>	<i>Corrections of the current year</i>	<i>Result for the end of the year (according to MHXS)</i>
Assets:						
<i>Long-term assets (by each item)</i>						
Current assets (by each item)						
Obligations (for each article)						
Capital and retained earnings (for each item)						



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Statement of financial position						
Profit and loss statement						
Income						
Cost						
Gross profit						
Operating expenses						
Income and expenses related to financial activity						
Main benefit						
Non-core income						
Expenses not related to normal activities						
Profit before tax						
Net profit						

Calculations based on valuation adjustments and various reclassifications require a lot of additional information and analysis based on a thorough professional approach. For reporting transformation, it is necessary to determine the principle differences between BHMS and MHXS, the organization implementing the transformation. For this, the transformation specialist needs to have deep knowledge of both BHMS and MHSS and international experiences. In the process of the transformation table, the national balance sheet items should be disclosed according to the balances of the accounting accounts attached to it.

4. Conclusions and suggestions.

1. The concept of financial reporting transformation was given a new improved definition and a process and model was developed. The implementation of the transformation process was divided into three stages: preparation, implementation of the procedure and the resulting stage. The content



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and sequence of the work performed at each stage were explained in a logical and organic connection.

2. Financial reports were categorized in accordance with international and national standards and transformation requirements. The development of transformation formulas and tables as a methodological solution to this problem facilitates the preparation of financial statements, ensures the accuracy and interdependence of its data.

These conclusions contribute to the development of the science of financial accounting and reporting, to the improvement of accounting regulatory documents in our country, to the improvement of the theoretical and methodological foundations of financial reporting, to ensure the objectivity, reliability and harmony of the information reflected in it, to expand the opportunities of information users to obtain the necessary information, the level of transparency of reports serves to increase, to expand the information capabilities of financial analysis, to provide transformation of financial reporting based on MFHSS. The implementation of these conclusions ensures that the financial report is understandable to potential foreign investors, serves to improve the investment environment in the country, increases the possibility of submitting financial reports to international exchanges, and ensures the timeliness and effectiveness of the decisions being made. As a result, economic efficiency is achieved by reducing the cost of products, effective use of resources, increasing the export potential of companies, increasing the competitiveness of products, expanding the opportunity for material incentives for employees, and increasing the professional qualifications of accountants and auditors.

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