



PRESENTATION AND ADJUSTMENT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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ABSTRACT

This study examines the methodological and practical aspects of transforming financial statements prepared under National Accounting Standards of Uzbekistan (NASU) into financial statements compliant with International Financial Reporting Standards (IFRS). Particular attention is given to the comparative analysis of transformation and parallel accounting approaches, highlighting the advantages and limitations of each method. While parallel accounting ensures high-quality and fully compliant IFRS reporting, it requires significant resources and operational complexity due to the maintenance of dual accounting systems. Conversely, the transformation approach offers cost efficiency but may involve estimation risks, limited analytical depth, and reduced reliability for management decision-making.

The paper outlines the key stages of the transformation process, including preparation, adjustment, reporting, and post-transformation procedures. It emphasizes the critical role of accounting policy alignment, professional expertise, and effective collaboration between internal and external specialists in ensuring the quality of financial reporting. Furthermore, the study categorizes accounting data into three groups based on their compatibility with IFRS requirements, providing a structured framework for identifying necessary adjustments.

Keywords: IFRS, NASU, financial statement transformation, parallel accounting, accounting policy, financial reporting, adjustment entries, international standards, accounting methods, reporting transformation process, IFRS adoption

INTRODUCTION

The parallel accounting approach is one of the most demanding since it needs the enterprise to reflect each activity's information twice. In actuality, these are two separate accounting systems, and it is difficult to conceive a single accountant entering enterprise data into both systems in compliance with the standards. At the same time, the parallel accounting system enables high-quality financial statements in compliance with IFRS. In today's world, one of the two approaches involves data processing on a computer using proper software. It should be noted that the parallel accounting program stands out for its great quality (efficiency) when compared to other approaches.

Either the reporting company's employees or independent specialists can finish the process of converting reports to IFRS. Some significant disadvantages of this strategy are as follows: Falsifying credentials, making too many assumptions, not being able to evaluate reporting data in accordance with IFRS because of the change that happened at the end of the reporting period, not being able to form separate contracts, this report's inadequacy for management decision-making, etc. Low initial and recurring costs are benefits of alternative transformation strategies.



One important factor influencing the caliber of financial reporting is the high degree of qualification of those carrying out the change. Even when a highly qualified external specialist is involved, the quality of the report that is produced as a consequence of the transformation depends on the level of cooperation and understanding between the organization's specialists and the external specialists.

The following steps are included in any report transformation method:

In the preparatory stage, the organization's accounting policy and the state of accounting are analyzed, discrepancies in the current accounting policy are identified, and the primary paths of change activity are planned.

At this point, the working documents required for the creation of adjusting entries have been generated, and the balance sheet data has been examined. The report analysis register, which is a feature of many accounting software programs, must be used for this.

The transformation phase involves revising and reclassifying financial statement items in conformity with IFRS.;

- * preparation of documents for the correction of the cost estimate of the reporting materials, taking into account the compliance with the requirements of the Ministry of Internal Affairs and Communications;

- * if necessary, hyperinflation is also taken into account;

- * conversion to reporting currency may also be required.

Preparation of financial statements of the organization in accordance with the IFRS. This stage includes the preparation of financial statement forms and explanations.

LITERATURE REVIEW

Special attention should be paid to the accounting policy in order to present the reports in accordance with the IFRS. For business entities the totality of accounting methods constitutes its accounting policy. The accounting policy of an economic entity is the sum of the set of accepted accounting methods, that is, it is a summary of initial observation, cost measurement, current grouping and economic activity data.

We believe that the following definitions of accounting practices do not conflict with the IASB's equivalent ban because the IASB does not regulate accounting itself: "The specific rules, principles, generally accepted conventions, and practical guidelines used by an economic entity in the preparation and presentation of financial statements are known as accounting policies."

E. S. Hendricksen and M. V. As stated by Van Breda, accounting policy includes methods of application of rules by the administration to have a clear picture of the financial conditions, financial situation and results of the business.

The key stages of transforming NASU-prepared financial statements into IFRS-compliant financial statements are defined. V. T. Chaya and G. V. Chaya's book "International Standards of Financial Reporting" contains thorough information on the stages of transformation. The steps are as follows.: [1]

1. Pre-adjustment of the balance sheet and the statement of financial results. At this stage, account balances and turnover items are reviewed in accordance with international standards. The form and structure of this grouping is reflected in the transformation tables, which allow to perform the transformation when necessary in the future;

2. Gather more analytical data related to accounting and management accounting. The basic distinctions between IFRS and NASU are now established, the accounting balance is explained in detail using the balances of the accounts that are part of it, and the independent accounting data required for transformation is created.



3. Adding IFRS-compliant correction notes to the report. To convert financial statement data in compliance with IFRS, three different kinds of adjustment entries are created: reclassification, valuation, and inflation (if required) entries.

4. In compliance with the International Financial Reporting Standards, the international report is finalized. The balance sheet (statement of financial position) and profit and loss statement are revised by the accountant after all required adjustments have been made, taking notes that take into consideration the characteristics of the accounting policy and its transformation techniques. The restated balance sheet and profit and loss statement serve as the foundation for preparing the statement of cash flow and capital changes.

In spite of the fact that the topic of reporting in accounting according to IFRS is widely covered, Professor Ya. V. It would be necessary to remember the words of Sokolov: "There is no single methodology of accounting and it cannot be". Every conceptual basis, any methodological approach, any theoretical understanding depends on the purpose of the person who organizes accounting control.

Thus, the correct preparation and presentation of financial statements in accordance with the IFRS should be based on a careful study of the differences between the requirements of the NASU and the requirements of the IFRS, and on the basis of this, it is necessary to develop a procedure for changing the necessary information and actions in accordance with the requirements of the NASU.

METHODOLOGY

Based on its potential use in the report in the accounting system upheld in compliance with NASU regulations, the data acquired in compliance with IFRS is separated into three categories:

The first group: The data obtained in the accounting system does not significantly depart from the rules of IFRS, even when some disparities are eliminated through "cosmetic" techniques. This category contains information on the cash account, approved capital, settlements with contractors and suppliers, and settlements with purchasers and customers.

Data about specific items and methods that were obtained in accounting in compliance with NASU make up the second group. In essence, these facts diverge from what IFRS requires, but they can be utilized for IFRS reporting after certain modifications are made. For instance, keeping track of loans and obligations. The absence of internal accounting practices or accounting procedures for some accounting object is an example of the third group's notable differences between the requirements of IFRS and NASU, which do not exist in the application of significant accounting processes in accordance with the provisions of IFRS.

This group's differences are not erased when financial statements are prepared using IFRS because the accounting rules for these items and procedures might vary greatly, even in terms of their economic significance. Consider fixed asset accounting, specifically the establishment of reserves for fixed asset depreciation.

Maintaining parallel accounting—and occasionally separate accounting—is required to produce reporting indicators for accounting objects that fall under the third group. However, this eliminates the need for transformation procedures and instead calls for the development of an independent accounting system, which is not taken into account in the research. As a result, we can ensure that transformation processes can be used to calculate the values of indicators that are not available in the NASU computation system.

The transfer or transformation of accounting reports to international standards is one of the most urgent issues in joint-stock companies today. Transformation of accounting reports is the process of regrouping accounting reports and accounting data prepared in accordance with the laws and regulations of the Republic of Uzbekistan and adjusting reporting items based on IFRS.



DISCUSSIONS

It should be noted that there is no single algorithm for transformation and each case is approached individually. Accordingly, there are several ways to transform today. Any transformation specialist can approach each company or organization based on independent methods and stages. But before that, it is necessary to clarify the transformation plan, process and stages. In our opinion, we can divide this process into 4 main stages:

Stage 1. Preparation:

- 1) Study all the requirements of IFRS reporting;
- 2) Comparison of the differences between IFRS and IFRS;
- 3) Study the requirements of IFRS 1 “First-time adoption of IFRS”;
- 4) Development of accounting policies under IFRS;

Stage 2. Direct transformation:

- 1) Comparative analysis of accounting policies drawn up and adjusted based on the requirements of IFRS and IFRS;
- 2) Collection of information necessary for the transformation process;
- 3) Preparation of working documents and selection of reporting components;
- 4) Adjustment and regrouping;
- 5) Preparation of the opening balance sheet;

Stage 3. Completion of the transformation process:

- 1) Preparation of the balance sheet and the statement of profit or loss and other comprehensive income;
- 2) Preparation of the statement of changes in equity, statement of cash flows and notes and explanations;

Stage 4. Post-transformation process:

- 1) Adding additional sections or sections to the reports;
- 2) Calculating the indicators in the reports based on inflation;
- 3) Translation of the indicators in the reports into a foreign currency (a currency based on investor demand).

Table- 1

Comparative table of the order of annual reports.

Procedure of financial statements according to national accounting standards [2]

Procedure of financial statements according to international accounting standards [3]

Balance sheet- Form 1

Statement of financial position

Statement of financial results - Form 2

Statement of profit or loss and other comprehensive income

Statement of cash flows - Form 4

Statement of changes in equity

Report on own investment - Form 5

Cash flow statement

Notes, calculations and explanations

Notes, i.e. notes containing a brief explanation of significant accounting policies and other explanatory information

Before transforming financial statements, we compare the reporting procedures according to national standards and international standards.



Currently, there are 2 options for transforming the accounting report based on the international standard, the first option is calculated from the point of view of inflation, and the second option is calculated according to the currency account. The inflation-based approach is based on international standard No. 29 "Financial reporting under hyperinflationary conditions".

Financial statements must be prepared in the form of cash, taking into account inflation. One of the main aspects of the inflation method is the purchasing power of the currency and its changes over time. Only the direction of change of the general price, which is an expression of the consumer price growth index, is taken into account.

Based on this, the total index value of the report should be transformed in the national currency, regrouped to the date of the report and transferred to the foreign currency.

The second variant of the transformation process is the currency-based path. Using this option, when the use of a common reliable valuation index is not available, it is necessary to evaluate the report in a currency that is stable and based on the movement of the exchange rate, which is also recommended in 29 IAS (paragraph 17). In this case, it is necessary to use international accounting standards No. 21 "Effects of changes in exchange rates" when preparing a transformation report.

Based on this, we choose the first option from the transformation options. In terms of the structure of the transformation table, we agree with the recommendations of I.A. Dymova, director of the audit firm "Finaudit-Consulting", and consider it appropriate to compile the transformation table. The table will consist of columns for the following changes:

- technical adjustments;
- classification adjustments;
- adjustments for non-monetary indices;
- discount adjustments;
- presentation adjustments.

If fixed assets were revalued at the beginning of the reporting period, we consider that revaluation is not necessary during the transformation process, because in accordance with the "Regulations on the Procedure for Annual Revaluation of Fixed Assets as of January 1" of the State Statistics Committee, fixed assets are revalued in our country annually as of January 1, and as we understand from this resolution, they must be revalued in the event of a sale, exchange, installation or other disposal of fixed assets. During transformation, the investor should evaluate these fixed assets based on the environment and conditions in which they are used in our country, that is, if the place of use of this fixed asset does not change, the revaluation based on national legislation should remain unchanged.

Specialists from outside the reporting organization or staff members of the reporting organization can prepare reports using IFRS. Some of the main disadvantages of this approach include the difficulty of concluding separate contracts, the inability to use this reporting data for management decision-making, the inability to analyze reporting data in accordance with IFRS (changes are made at the end of the reporting period), the falsification of accounting data, a number of assumptions, etc. Low initial and recurring costs are among the advantages over other transformation methods.

ANALYSIS AND RESULTS

The most frequent daily transactions, particularly those involving currency, are intended to be recorded by accounting systems. Cash is entered into the accounting system whenever it is received or paid. Generally speaking, this kind of cash flow attention functions best when cash receipts and payments take place concurrently with income-generating and expense-generating operations. However, as Figure 2.1 illustrates, money is not always received during the company's revenue-



generating period, and it is also not always disbursed during the company's expense-generating period.

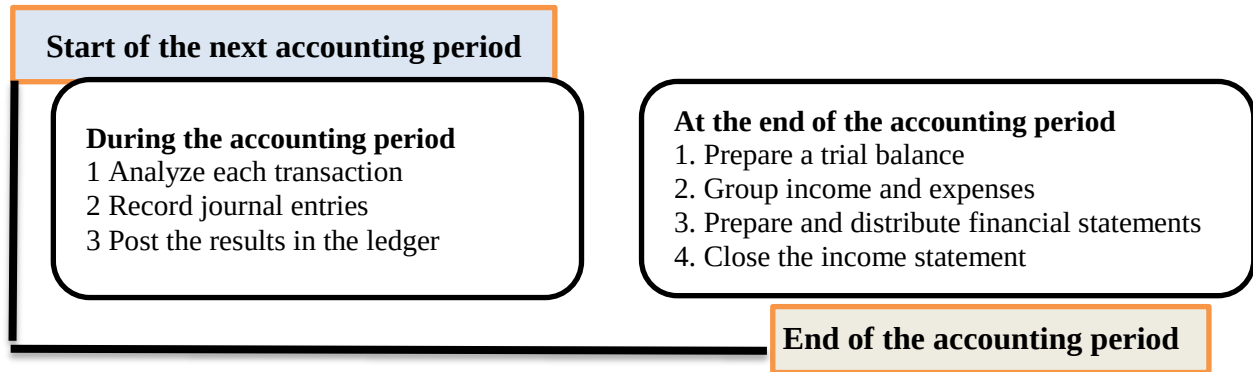


Figure- 1. Financial reporting period ¹

One transaction is needed to record a cash receipt or payment, and another is needed to record income or expenses when they are incurred, the accounting system records income and expenses, and the solution to the problem caused by these timing differences is to record adjusting entries at the end of each reporting period, as follows:

- When entities are received, entities are recognized (an example of recognition).
- Expenses are recognized when entities are brought to the venue (the Expense Recognition Procedure).
- Assets are reported at amounts that reflect the potential future benefits that remain at the end of the reporting period, and
- Liabilities are reported at amounts that represent the potential future sacrifices of assets or services that were owned at the end of the period.

Assets	=	Liabilities	+	Stockholders' Equity
		Unearned revenue –52 mill.		sales revenue (+R) +52 mill.
		– Unearned Revenue (L) +		– Restaurant Sales Revenue (R) +
		(AJE) 52m		1,359 m Bal.
		130 m. Bal.		52 m (AJE1)
		78 m.		1,411 m.

Additional examples of deferred revenues include magazine subscription sales by publishing companies; season tickets sold in advance to sporting events, plays, and concerts by these types of organizations; air flight tickets sold in advance by airlines; and rent received in advance by landlords. Each of these requires an adjusting entry at the end of the accounting period to report the amount of revenue earned during the period

After the valuation of fixed assets and their accounting based on IAS -16, the following accounting transfer is performed:

- Debit Building, structure and transmission devices
- Debit Machinery and equipment Debit Computer equipment and computer equipment.
- Debit Vehicles.
- Credit Private capital -Revaluation result.
- Credit Depreciation of buildings, structures and transmission equipment



Credit Depreciation of machinery and equipment

Credit Depreciation of computer equipment and computing equipment

Credit Vehicles

CONCLUSIONS AND RECOMMENDATIONS

In order to avoid some problems in introducing adjustments to each business transaction based on IFRS, which is the second direction of transition to international standards, it is important to do the following:

1) review national accounting standards and certain regulations and instructions;

2) regularly monitor and study changes in IFRS, which are monitored annually by a group or commission appointed for this purpose (the Chamber of Auditors of Uzbekistan or the Federation of Accountants of Uzbekistan), and prepare accountants of the company for this.

Based on this, it is necessary to consider the diversity of the principles of IFRS. The first of the main principles of IFRS is the forms of presentation of financial information. The procedure and scope of its application are fully described in IFRS-1 "Presentation of Financial Statements". According to it, IFRS No. 1 establishes requirements for the presentation of financial statements and includes instructions on the structure of their preparation and minimum requirements for the preparation of reports.

In our opinion, the adjustments permit entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities that have already applied IFRS and decide to change to the equity method in their separate financial statements should apply the change retrospectively. First-time adopters of IFRS and decide to use the equity method in their separate financial statements should apply this method from the date of transition to IFRS.

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