



APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): PROBLEMS AND SOLUTIONS

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Abstract

This article discusses the problems related to the full implementation of international financial reporting standards in the Republic of Uzbekistan. It has been established that the transition to International Financial Reporting Standards (IFRS) is an important element in the further development of both the economy as a whole and enterprises that are tasked with attracting private foreign capital, increasing competitiveness and entering international markets. It has been determined that the use of IFRS is necessary to simplify international comparisons on the elements of financial statements, allowing investors to make effective financial decisions, since they can reliably see and understand what is happening with the company in which they want to invest. An analysis of the possibilities of introducing IFRS into national practice has been carried out, positive and negative aspects of the implementation of international standards have been highlighted. The transition to international financial reporting standards can lead to both positive and negative consequences for companies.

Keywords: International financial reporting standards; national accounting standards; financial statements; The concept of development of accounting.

INTRODUCTION

In today's global economy, where financial flows move freely around the world, it is extremely important to have access to accurate, understandable and comparable information about the financial situation and performance of



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companies. The acceleration of international trade, the growing influence of multinational corporations, the influx of foreign investment and credit resources — all this requires the use of a unified methodology for the preparation of financial statements.

International Financial Reporting Standards (IFRS) play a key role in this process. They are an important tool that provides high-quality information about the financial condition of a business, which, in turn, allows for a better understanding and forecasting of economic trends. The application of International Financial Reporting Standards (IFRS) allows companies to present information about their financial position in accordance with its real economic significance. This makes it possible to evaluate assets and liabilities by their real value and use modern methods of accounting for income and expenses. This approach helps to improve the quality of financial reporting, makes financial analysis and management decisions more accurate, and strengthens the trust of investors and creditors.

Today, IFRS is the main standard for the preparation of financial statements in most countries of the world. It plays an important role in ensuring the stability of capital markets. Especially for developing countries, the introduction of IFRS is of strategic importance for attracting foreign investment, expanding cooperation with international financial institutions and increasing the competitiveness of the national economy.

In Uzbekistan, as part of the process of economic modernization, development of market mechanisms and integration into the global economic system, the introduction of International Financial Reporting Standards (IFRS) is considered as a key institutional reform.

Large state-owned companies, banks, insurance organizations, and joint-stock companies are required to provide financial statements in accordance with IFRS. This requires significant improvement of the national accounting system. However, the implementation of International Financial Reporting Standards (IFRS) in practice faces a number of challenges. First, differences in approaches and methodology between national accounting standards and IFRS complicate the process of financial reporting transformation for enterprises.



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Secondly, the lack of qualified specialists, such as accountants, auditors and financial managers, who are well versed in IFRS, prevents their full and high-quality use.

Thirdly, the software and information systems used in enterprises do not always meet the requirements of international Financial Reporting Standards (IFRS). This leads to additional time and financial costs.

In addition, the application of IFRS in practice requires professional judgment from specialists [6]. Determining fair value can be subjective, and setting accounting policies can be a complex process [7].

As a result, the application of IFRS becomes formal in some enterprises, which does not allow achieving the expected economic results.

In the modern world, one of the key scientific and practical tasks is the systematic study of these issues, the scientific analysis of their causes and results, as well as the development of practical recommendations for improving the mechanism of application of IFRS.

It is especially important to identify the specifics of the application of IFRS in various sectors of the national economy, including industrial and textile enterprises, and to propose adaptive solutions that will meet their specific needs. Therefore, scientific research on the topic "Application of International Financial Reporting Standards (IFRS): problems and solutions" is not only of theoretical interest, but also of great practical importance. They make it possible to effectively implement IFRS in practice, which helps to increase transparency and reliability of financial statements of enterprises. This, in turn, improves the investment climate and stimulates economic growth.

LITERATURE ANALYSIS

International Financial Reporting Standards (IFRS) are a set of rules and principles that are used to prepare financial statements on an international scale. This standardized document provides convenience for investors, economists, financiers and auditors around the world, allowing them to easily understand each other. The transition to IFRS will not only simplify economic relations between companies from different countries, but will also open up new horizons for business expansion beyond national borders.



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In recent years, Uzbekistan has been actively implementing accounting reform aimed at convergence with international standards. Many regulatory documents have been adopted in this area, and transformations have already begun to take place.

The accounting reform program was approved by Presidential Decree No. PQ-4611 "On additional measures for the transition to International Financial Reporting Standards", signed on February 24, 2020 [1]. The main goal of this reform is to bring national accounting Standards (NSAs) in line with the requirements of the global market. The following documents were adopted to implement this decision:

- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 38 dated January 26, 2021 "On approval of the Interim Regulation on the procedure for Reimbursement of expenses for training in International Financial Reporting Standards and exams within the framework of international Certification of Accountants" [2];
- Order of the Minister of Finance of the Republic of Uzbekistan No. 3400 dated December 9, 2022 "On the recognition of the text of International Financial Reporting Standards and interpretations for application in the territory of the Republic of Uzbekistan" [3].
- Order of the Minister of Economy and Finance of the Republic of Uzbekistan No. 3567 dated November 4, 2024 "On approval of the deadlines for submitting financial statements, their composition and content" [4].

By Presidential Decree No. PP-282 "On measures to improve the financial accounting system in accordance with international requirements and standards" dated September 15, 2025, a new system reform is being launched [5]. From January 1, 2026, the Ministry of Economy and Finance will maintain an electronic register of socially significant organizations on gov platforms.uz and data.egov.uz. This register will include business entities that, by their type of activity and/or size of assets, have significant socio-economic influence and have a wide range of stakeholders.

Starting from January 1 of the year following the year of inclusion in the register, these enterprises are required to implement an accounting system based on International Financial Reporting Standards (IFRS). Following the results of the



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second year, they must prepare financial statements and publish them together with the auditor's report in accordance with the requirements of IFRS (with the exception of legal entities for which earlier dates of transition to IFRS are provided).

Companies that have decided to voluntarily adopt IFRS in the reporting year must send a corresponding notification to the tax authorities through the taxpayer's personal account before March 1 of the next reporting year. The date of transition to IFRS should be indicated in the notification. From September 2025, enterprises applying International Financial Reporting Standards (IFRS) for the first time will be able to include comparative information in their initial financial statements for at least one date of the previous comparable period.

In the period from 2026 to 2028, the state will compensate the costs of initial registration and exams for those who successfully pass the exams within the framework of the international certification of accountants. The exams include the disciplines "Financial Reporting under IFRS", "Audit and Information Assurance Services", "Diploma in International Financial Reporting (ACCA DipIFR)" and others [8-10].

In addition, in December 2025, certain provisions of Government Decree No. 4611 of February 24, 2020 will cease to apply. In particular, joint-stock companies, commercial banks, insurance organizations and legal entities that are large taxpayers will no longer be required to keep accounting records and prepare financial statements based on IFRS from 2021, as well as to employ at least three specialists with international certificates (ACCA, CIPA, CPA, DipIFR).

RESEARCH METHODOLOGY

This research is based on a detailed analysis of regulations, a systematic review of practical situations and current issues, as well as the use of comparative analysis methods. The article examines the development of legislation on the implementation of International Financial Reporting Standards (IFRS) in the Republic of Uzbekistan and their practical application. Using specific examples, the main difficulties faced in the transition to IFRS in our country were considered: time, methodological, personnel, financial and organizational



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constraints. This made it possible to pinpoint the problems and develop appropriate solutions. A comparative analysis of international and national reporting standards revealed their significant differences. The economic efficiency of parallel accounting and conversion methods was also assessed. The study analyzes and summarizes the experience of various countries, both developed and developing, in the implementation of international financial reporting Standards (IFRS). Based on this experience, solutions are being developed that can be adapted to the economic conditions of Uzbekistan. The research methodology is based on an understanding of the implementation of IFRS as a systemic and continuous process of institutional change.

RESULTS

In the era of globalization and the free movement of capital between countries, more and more attention is being paid to the standardization and comparability of financial information. Reporting is becoming an essential tool for communication between companies and their external partners, including investors, creditors, government agencies, and international financial organizations.

International Financial Reporting Standards (IFRS), developed by the International Accounting Standards Board (IASB), represent a unified approach to the recognition, measurement and disclosure of information in financial statements. The implementation of these standards helps to increase the transparency of companies, eliminate information asymmetries and strengthen trust between market participants.

Despite the undeniable advantages, the implementation of international Financial Reporting Standards (IFRS) in different countries is fraught with many difficulties. The formal adoption of international standards without proper adaptation of the national accounting system can lead to a decrease in the quality of reporting and distortion of economic indicators.

The study identified key issues that systematically affect the quality of financial statements.

One of the main problems is the inconsistency of national legislation with the principles of IFRS. In some countries, the accounting system is still focused on



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fiscal objectives, while IFRS are aimed at meeting the information needs of investors and other users.

Parallel accounting according to national standards and IFRS can lead to the following negative consequences:

1. Time delays

One of the main disadvantages of using IFRS is the increased time required to prepare financial statements. This, in turn, slows down the management decision-making process.

2. Methodological difficulties

IFRS is based on the principle that the economic content takes precedence over the legal form. This requires accountants to apply professional judgment, which in practice can cause difficulties in the following areas::

- Valuation of assets at fair value;
- Recognition of asset impairment;
- Accounting of financial instruments;
- Reflection of reserves and estimated liabilities.

The lack of a well-developed methodology on these issues at the national level leads to ambiguous interpretations and reduces the comparability of financial statements.

3. Personnel and educational issues

In order to effectively use international Financial Reporting Standards (IFRS), companies need highly qualified specialists. However, many organizations face certain difficulties.:

Lack of qualified accountants. There are not enough specialists with deep knowledge and experience in the field of IFRS.

Lack of practice-oriented educational programs. Educational institutions do not have enough programs aimed at the practice of applying standards.

Limited access to high-quality educational and methodological materials. It is difficult to find sources of information that would be relevant and useful for the practical application of IFRS.



These factors make it difficult to implement and use international standards, which can lead to formal reporting and increased reliance on external consultants.

4. Organizational and financial constraints

The implementation of IFRS requires significant financial and organizational resources, including:

Modernization of accounting information systems. The software needs to be updated to meet the requirements of international standards.

Involvement of auditors and consultants. To ensure the objectivity and reliability of reporting, companies need specialists who will check and advise on the application of IFRS.

Staff training. It is important that employees understand and apply standards in practice. The training can include both theoretical aspects and practical skills necessary for successful work.

For small and medium-sized enterprises, such costs can become a serious obstacle to the full implementation of international standards.

The results obtained confirm the data of international studies that a comprehensive transformation of the accounting system is required for the successful implementation of IFRS. Practice shows that the formal adoption of standards without changing the culture of accounting and the institutional environment cannot lead to the expected economic benefits.

International experience shows that the most effective results are achieved in countries where:

- Accounting and corporate legislation have been harmonized.
- The system of professional certification of accountants is developed at a high level.
- Digital technologies are being actively introduced into accounting and reporting.

Thus, the application of IFRS should be considered not as a one-time reform, but as a long-term process of institutional development.



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DICUSSION

In the context of economic globalization and the integration of national capital markets, ensuring comparability, transparency and reliability of financial statements is of particular importance. International Financial Reporting Standards (IFRS) are a universal tool that allows for comparative analysis of financial information from different countries and increases the confidence of investors, creditors and other stakeholders.

Many countries, including emerging economies, are gradually moving from national accounting standards to IFRS. However, in practice, this process faces a number of difficulties related to differences in legal systems, the level of development of accounting infrastructure, the qualifications of personnel and the methodological complexity of standards [11-12].

Currently, many foreign companies are actively applying international Financial Reporting Standards (IFRS). The implementation of these standards has become a common practice for large and medium-sized foreign companies.

In Uzbekistan, large enterprises and companies also maintain accounting records and prepare financial statements in accordance with IFRS [13]. This ensures business transparency and allows investors to objectively assess economic risks. As a result, companies can offer more favorable loan terms and set more attractive interest rates.

The transition to international financial reporting standards is a critical step for all companies that interact or plan to interact with foreign investors. This is especially true for enterprises with high capital turnover.

Financial statements prepared in accordance with national standards do not provide a complete picture of the stability of the company's financial position. This is due to the fact that, in accordance with National Accounting Standards (NSAs), profits are recognized only in accounting, and not in tax accounting.

The process of transition to International Financial Reporting Standards (IFRS) includes several stages.

The first stage is the convergence of accounting and management accounting in the company. At this stage, analytical work is carried out to harmonize the methods of financial and managerial accounting. It is important to take into account all possible adjustments in advance and pay attention to the significant



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differences between national Accounting Standards (NSB) and International Financial Reporting Standards (IFRS). This will reduce the number of corrections in the final report and save time during the transition period.

At this stage, the order of control measures and processes is determined, as well as the issue of attracting specialists in accordance with IFRS, if the company does not have such specialists [14]. The next stage is the development of a unified accounting methodology. A single methodology should be created for all branches and subsidiaries. The closer the current reporting rules are to IFRS, the easier the transition will be.

At the second stage, conversion tables, interim and annual reporting templates are developed, and software is selected to simplify document management. The success of the subsequent implementation of the accounting methodology largely depends on the quality of its development.

There are two main ways to prepare financial statements in accordance with International Financial Reporting Standards (IFRS):

1. Parallel accounting method. This approach involves maintaining accounting records in two systems simultaneously: according to IFRS standards and according to National Accounting Standards (NSB).
2. Method of transformation. When using this method, accounting data is first converted to the IFRS format, and then entered into the national system.

It should be noted that the introduction of a parallel accounting method requires significant initial financial costs for the acquisition of a modern automated accounting system, which subsequently requires constant support, updating and maintenance.

The revision of financial statements is the process of preparing financial documents in accordance with International Financial Reporting Standards (IFRS). It includes the reorganization of all basic accounting information and the adjustment of each element of financial statements previously prepared in accordance with National Accounting Standards (NSAs).

When preparing financial statements in accordance with IFRS, the company reflects information in accordance with the requirements of these standards and, if necessary, makes appropriate adjustments to ensure that the amended data comply with the requirements of IFRS.



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The transformation of financial statements is a more cost-effective method that does not require the installation of complex computer programs. This method is often used by small companies.

Financial statements are usually prepared electronically. As a rule, there is no single transformation algorithm, and each specific case requires an individual approach.

Any specialist responsible for making changes to the financial statements has the right to independently determine the methodology and stages that will be applied to the reporting of each organization.

Financial statement adjustments are often part of the professional services of auditing companies and can be performed through outsourcing accounting services. It also requires financial costs.

Each method has its advantages and disadvantages, and each company must independently determine which one is most suitable for it.

We would like to draw your attention to the advantages of the conversion method.

Firstly, this method allows you to continuously prepare reports according to International Financial Reporting Standards (IFRS), regardless of the period of preparation of reports according to national Accounting Standards (NSB).

Secondly, this method provides an opportunity to present financial statements using a system of comparable assumptions and estimates, which, in turn, provides more accurate information.

CONCLUSION

International Financial Reporting Standards (IFRS) are a key tool for ensuring transparency, comparability, and increased investor confidence in today's global economy. The introduction of IFRS is of strategic importance for the integration of the Uzbek economy into the global market, attracting foreign investment and strengthening the competitiveness of domestic enterprises.

However, practice shows that the application of IFRS in our country is fraught with certain difficulties.



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The main problems we face are:

- 1. Regulatory and legal differences.** Methodological and conceptual differences between National Accounting Standards (NSOs) and IFRS complicate the process of converting financial statements.
- 2. Shortage of qualified personnel.** There is a shortage of specialists with deep knowledge and practical experience in the field of IFRS.
- 3. Shortcomings in the education system.** Limited practice-oriented educational programs and teaching materials do not allow us to fully master international Financial reporting Standards (IFRS).
- 4. Financial and technical difficulties.** The introduction of information systems that meet the requirements of IFRS, as well as the involvement of auditors and consultants, involves significant financial costs.
- 5. Time costs.** Parallel reporting or data transformation takes longer, which slows down the preparation of reports and, as a result, the adoption of management decisions.

To overcome these difficulties and successfully implement IFRS, the following scientifically sound proposals have been developed:

- 1. Improvement of the regulatory framework.** Development of a program for the gradual convergence of national standards with IFRS to minimize discrepancies between them. Ensuring the possibility of using financial information that meets the requirements of International Financial Reporting Standards (IFRS) for government statistics and taxation purposes.
- 2. Development of the personnel training system.** Implementation of practice-oriented programs specializing in IFRS in higher education institutions. Organization of compulsory courses for accountants, auditors and financiers in order to update their knowledge and skills. Introduction of government grants



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and scholarships for obtaining international certificates such as ACCA and DipIFR.

3. Development of information and communication technologies.

Development of cloud accounting systems that meet the requirements of IFRS and offer simplified options for small and medium-sized enterprises. Posting standard templates, video tutorials, and consulting materials on IFRS on government platforms (gov.uz , data.egov.uz).

4. Sectoral approach. Development of methodological recommendations for the application of IFRS, taking into account the specifics of various industries such as industry, textile industry, banking and insurance. Analysis of successful experience in implementing IFRS at leading enterprises and preparation of recommendations for other companies.

5. Measures to encourage the transition to IFRS. Introduction of tax and other economic incentives for companies that have adopted IFRS. Establishing partnerships with leading international audit and consulting companies.

Thus, the transition to IFRS represents not only a change in accounting methods, but also a long-term strategic process aimed at improving the quality of corporate governance, transparency of financial information and improving the investment climate. The implementation of the proposed measures will make it possible to effectively use IFRS in Uzbekistan, make the economy more transparent and attractive to foreign investors.

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