



IMPROVING THE ACCOUNTING AND FINANCIAL REPORTING OF CORPORATE REORGANIZATION PROCESSES BASED ON INTERNATIONAL STANDARDS

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Abstract

This article investigates the theoretical and methodological foundations of accounting and financial reporting for corporate reorganization processes. The study analyzes the impact of various forms of reorganization, including mergers, acquisitions, divisions, spin-offs, and transformations of legal status, on accounting objects. A conceptual framework is developed for the recognition and measurement of assets, liabilities, equity, valuation differences, goodwill, impairment losses, and tax consequences arising from reorganization transactions. Furthermore, the mechanisms for applying the requirements of IFRS 3, IFRS 10, IFRS 13, IAS 36, IAS 37, IAS 12, and IAS 8 in accounting for and reporting reorganization activities are systematized. The research findings contribute to enhancing the reliability of accounting information, improving the quality of financial reporting, and increasing transparency in the disclosure of corporate reorganization transactions.

Keywords: Corporate reorganization, business combinations, accounting, financial reporting, goodwill, fair value, consolidated financial statements, valuation differences, succession, IFRS.



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Introduction

In the contemporary global economy, the scale of corporate integration processes, business combinations, asset reallocations, and strategic investment transactions continues to expand. Mergers, acquisitions, divisions, spin-offs, and transformations of organizational and legal forms have become important instruments of modern corporate governance. As a result, the proper recognition and presentation of these transactions in accounting and financial reporting have gained particular significance. Reorganization processes are not limited to legal changes; they are characterized by the emergence of complex accounting issues, including the revaluation of assets and liabilities, changes in the structure of equity, the recognition of goodwill or gains from bargain purchases, the accounting treatment of valuation differences, and the assessment of tax consequences. Therefore, corporate reorganization represents one of the most important areas of accounting and financial reporting research.

In international practice, the accounting treatment of business combinations and corporate reorganization transactions is regulated by IFRS 3 Business Combinations, IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement, IAS 36 Impairment of Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IAS 12 Income Taxes. These standards provide a unified methodological framework for measuring assets and liabilities at fair value, recognizing goodwill, conducting impairment testing, accounting for deferred taxes, and ensuring comprehensive disclosure in financial statements.

In Uzbekistan, ongoing reforms aimed at modernizing the economy, transforming state-owned enterprises, improving corporate governance, and preparing financial statements in accordance with International Financial Reporting Standards have significantly increased the economic importance of corporate reorganization processes. Consequently, there is a growing need to improve the theoretical and methodological foundations of accounting for reorganization transactions, to classify accounting objects accurately, and to develop modern mechanisms for their presentation in financial reporting.

Accordingly, this study examines the conceptual foundations of accounting and financial reporting for corporate reorganization processes and develops



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scientific proposals and practical recommendations for improving their organizational and methodological framework.

Literature Review

Issues related to accounting and financial reporting for corporate reorganization processes have been extensively investigated by scholars from different countries. O.S. Bezvidnaya examined the organization of accounting and reporting during reorganization, including the valuation of assets and liabilities and accounting procedures under various forms of reorganization. P.E. Shumilin focused on accounting modeling of reorganization processes, the improvement of financial and management accounting mechanisms, and the organization of audit control.

N.N. Bortnik investigated accounting and analytical aspects of reorganization processes, the assessment of the economic efficiency of mergers and acquisitions, and accounting issues related to business reputation (goodwill). D.Z. Yakupova studied methodological approaches to the allocation of assets, liabilities, and equity during reorganization, as well as the preparation of separation balances and opening accounting statements. L.V. Sotnikova analyzed the legal foundations of reorganization and issues associated with accounting and taxation.

The studies of V.S. Plotnikov and O.V. Plotnikova addressed theoretical and practical aspects of business combinations, acquisition transactions, goodwill recognition, the application of the acquisition method, and the preparation of consolidated financial statements. R.R. Nasyrova examined accounting issues related to changes in charter capital and other elements of equity arising during reorganization processes. S.G. Khozyaeva investigated organizational aspects of accounting and reporting during liquidation and reorganization procedures. O.P. Kritskiy analyzed transitional accounting during spin-off reorganizations, differences arising from the transfer of assets at market value, deferred taxation issues, and documentation procedures.

Several scholars in Uzbekistan have also explored theoretical and practical aspects of this issue. In particular, K.B. Urazov substantiated the economic essence, forms, and procedures of corporate reorganization and identified the



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requirements for accounting and financial reporting in such processes. The works of S.N. Tashnazarov extensively examined business combinations, consolidated financial statements, and the recognition and measurement of financial reporting elements in accordance with international standards.

Furthermore, the studies of internationally recognized scholars such as B. Needles, E. Hendriksen, M. Van Breda, R. Anthony, C. Horngren, and A. Damodaran have contributed significantly to the theoretical foundations of business combinations, corporate finance, asset valuation, and company valuation. Among CIS scholars, Y.V. Sokolov, V.V. Kovalev, A.D. Sheremet, V.G. Getman, N.P. Kondrakov, and M.A. Vakhrushina developed important theoretical approaches to accounting, financial analysis, and financial reporting methodology. In addition, the scientific works of M.E. Pulatov, A.A. Karimov, M.M. Tulakhodjaeva, B.A. Khasanov, M.Q. Pardaev, R.D. Dosmuratov, and I.N. Koziev serve as valuable contributions to the development of the national accounting system.

Despite the significant body of research, existing studies have not comprehensively systematized assets, liabilities, equity, valuation differences, reorganization costs, impairment losses, goodwill, and tax consequences arising from mergers, acquisitions, divisions, spin-offs, and transformations of legal status as a unified accounting object. Moreover, the conceptual foundations for allocating these accounting objects based on legal succession, recognizing them in accounting records, and disclosing them in financial statements remain insufficiently developed. These research gaps provided the theoretical basis for determining the objectives and tasks of the present study.

Research Objective

The objective of this study is to develop scientific proposals and practical recommendations aimed at improving the organizational and methodological foundations for accounting and financial reporting of assets, liabilities, equity, valuation differences, reorganization costs, goodwill, and tax consequences arising during corporate reorganization processes.

Corporate reorganization has become an important mechanism for business development, efficient resource utilization, and the improvement of corporate



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governance in the modern economy. Such processes involve mergers, acquisitions, divisions, spin-offs, and transformations of legal status, resulting in substantial changes in the legal standing, financial position, and accounting systems of business entities.

Reorganization processes directly affect accounting entities, accounting objects, and accounting functions. In particular, mergers and acquisitions require the transfer of assets and liabilities through legal succession, the determination of acquisition consideration, and the recognition of goodwill or gains from bargain purchases. In cases of divisions and spin-offs, the fair allocation of assets, liabilities, and equity, as well as the preparation of successor entities' financial statements, becomes critically important.

The accounting treatment and financial reporting of these transactions should be carried out in accordance with the requirements of International Financial Reporting Standards. In particular, IFRS 3 Business Combinations, IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement, IAS 36 Impairment of Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IAS 12 Income Taxes constitute the principal methodological basis for accounting for reorganization transactions. These standards provide a consistent framework for fair value measurement, goodwill recognition, impairment testing, deferred tax accounting, and financial statement disclosures. Therefore, improving the theoretical and methodological foundations of accounting for corporate reorganization processes is essential for enhancing the reliability, transparency, and comparability of accounting information and for increasing the effectiveness of managerial decision-making (see Table 1).



Table 1 Impact of Corporate Reorganization Processes on Accounting¹

Form of Reorganization	Impact on Accounting Entities	Impact on Accounting Objects and Functions
Merger	Existing entities cease operations and a new legal entity is registered.	Assets and liabilities of the dissolved entities are transferred to the newly established or successor entity; a liquidation balance sheet and an opening balance sheet of the successor entity are prepared.
Acquisition	The acquired entity ceases operations, while the acquiring entity continues its activities and may undergo re-registration if required.	Assets and liabilities of the acquired entity are recognized; acquisition consideration, goodwill, or gain from a bargain purchase is determined.
Division	One entity is dissolved and two or more new entities are established.	Assets, liabilities, and equity of the existing entity are allocated among the successor entities.
Spin-off	The existing entity continues operations, while a newly separated entity is registered.	A portion of assets and liabilities is transferred to the newly established entity, while the remaining portion continues to be recognized by the existing entity.
Transformation	A legal entity is re-registered in a new organizational and legal form.	The legal form of the entity changes; assets and liabilities may remain unchanged, while elements of equity are reclassified.

Corporate reorganization may be undertaken in various forms depending on a range of objective and subjective factors. Each form of reorganization possesses both advantages and disadvantages and may lead to different economic and accounting consequences. From an accounting and financial reporting perspective, reorganization transactions affect the recognition, measurement, and presentation of assets, liabilities, equity, valuation differences, reorganization costs, financial performance indicators, tax consequences, and other reporting elements. The nature and extent of these effects vary according to the specific form of reorganization applied. Therefore, a comprehensive assessment of the accounting implications of each reorganization method is essential for ensuring the reliability and transparency of financial reporting information (see Table 2).

¹ Author's compilation based on the research results.



Table 2 Main Reasons, Advantages, Disadvantages, and Accounting Consequences of Corporate Reorganization Forms²

Form of Reorganization	Main Reasons	Advantages	Disadvantages	Accounting and Reporting Consequences
Merger	Resource integration, reduction of management costs, enhancement of financial stability	Business expansion, consolidation of capital and resources	Loss of independence, disputes related to the valuation of assets and liabilities	Preparation of a liquidation balance sheet, recognition of succession information, and preparation of the opening financial statements of the successor entity
Acquisition	Expansion of market share, acquisition of an existing business, achievement of synergies	Rapid market entry, expansion of assets and business operations	Hidden liabilities, excessive acquisition cost, impairment risk of goodwill	Determination of acquisition consideration, net assets, goodwill, or gain from a bargain purchase
Division	Separation of business activities, allocation of owners' interests	Greater specialization and clearer responsibility allocation	Risk of unfair allocation and disputes among stakeholders	Preparation of a division balance sheet; transfer of assets and liabilities to successor entities
Spin-off	Independent development of a new business direction, attraction of investment	Risk diversification, creation of a separate investment object	Reduction of the asset base of the parent entity	Transfer of a portion of assets and liabilities to the newly established entity
Transformation of Legal Form	Alignment of the legal structure with strategic objectives, strengthening corporate governance	Continuity of operations, improved investment opportunities	Increased corporate compliance requirements and reporting burden	Reclassification of equity elements and modification of constituent documents

² Author's compilation based on the research results.



Corporate reorganization processes give rise to new and independent accounting objects that require identification, recognition, measurement, allocation, recording, presentation, and disclosure within the accounting system and financial reporting framework. These requirements necessitate the development of a comprehensive methodological approach to ensure the consistent treatment of reorganization-related transactions and events. In response to these requirements, this study develops an integrated conceptual model for accounting for corporate reorganization processes. The model is based on a sequential framework consisting of the following stages: identification, recognition, measurement, allocation, recording in accounting accounts, presentation in financial statements, and disclosure in the notes to the financial statements. This approach provides a systematic basis for the accounting treatment of assets, liabilities, equity, goodwill, valuation differences, reorganization costs, and tax consequences arising from corporate reorganization transactions. The proposed conceptual model is presented in Figure 1.

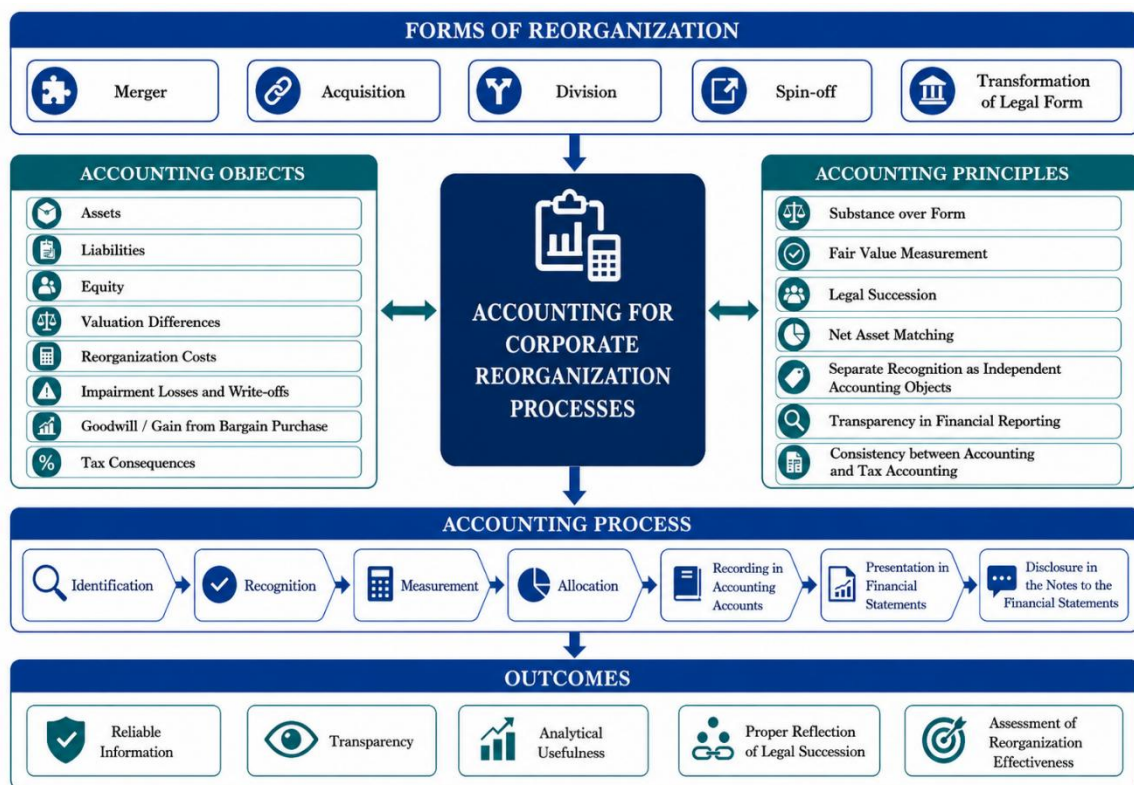


Figure 1. Conceptual Model of Accounting for Corporate Reorganization Processes



The integrated model presented in Figure 1 ensures the interrelationship between accounting objects, recognition criteria, measurement methods, allocation principles, successor entities, and financial reporting formats within corporate reorganization processes. To facilitate the practical implementation of this model, the study develops a practical regulation framework, methodological guidelines, and working calculation schedules that may be incorporated as appendices to an entity's accounting policy. International Financial Reporting Standards require entities involved in reorganization transactions to measure assets and liabilities at fair value, determine goodwill or gains from bargain purchases, perform impairment testing, and provide adequate disclosures in financial statements. Accordingly, this study identifies the requirements, implementation mechanisms, and practical instruments associated with IFRS 3 Business Combinations, IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement, IAS 36 Impairment of Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 12 Income Taxes, and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in the context of corporate reorganization processes (see Table 3).

Table 3 Requirements of International Financial Reporting Standards for Corporate Reorganization Processes and Their Implementation Mechanisms³

IFRS/IAS Requirement	Relevance to Reorganization Processes	Implementation Mechanism	Practical Instruments
IFRS 3 – Business Combinations	Recognition of acquired assets and liabilities at fair value in acquisition transactions	Identification of the acquirer, acquisition date, acquisition consideration, and net identifiable assets	Acquisition agreement, valuation report, goodwill calculation worksheet
IFRS 13 – Fair Value Measurement	Measurement of assets and liabilities at values approximating market prices	Determination of the valuation date and appropriate valuation techniques	Valuation reports, synthetic and analytical accounting records

³ Author's compilation based on the research results.



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IFRS 10 – Consolidated Financial Statements	Preparation of group financial statements when control exists	Elimination of intra-group transactions and determination of controlling interests	Consolidation registers and elimination entries
IFRS 12 – Disclosure of Interests in Other Entities	Disclosure of ownership interests, risks, and relationships with other entities	Assessment of the degree of participation, control, and significant influence	Notes to the financial statements
IAS 36 – Impairment of Assets	Assessment of the recoverable amount of assets	Comparison of carrying amount with recoverable amount	Impairment testing procedures and calculations
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	Assessment of potential obligations and legal claims arising from reorganization processes	Evaluation of the probability and amount of future resource outflows	Claims register, legal opinions, and supporting documentation
IAS 12 – Income Taxes	Accounting for temporary differences and deferred tax consequences	Comparison of carrying amounts and tax bases	Tax registers and deferred tax calculations
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	Establishment of accounting policies in situations not specifically addressed by existing standards	Application of similar standards and the Conceptual Framework for Financial Reporting	Accounting policy documentation and internal regulations

Conclusion

The results of the study demonstrate that corporate reorganization processes constitute an independent and complex object of accounting. The various forms of reorganization, including mergers, acquisitions, divisions, spin-offs, and transformations of legal form, are associated with the creation or modification of assets, liabilities, equity, valuation differences, reorganization costs, goodwill, impairment losses, and tax consequences. Therefore, the proper recognition and presentation of these accounting objects in accounting records and financial statements are of significant importance.

The study improves the conceptual foundations of accounting for corporate reorganization processes and develops an integrated model encompassing the stages of identification, recognition, measurement, allocation, recording in



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accounting accounts, presentation in financial statements, and disclosure in the notes to financial statements. The proposed model ensures consistency and interrelationship among accounting objects, accounting principles, and financial reporting elements arising from reorganization transactions.

Furthermore, the requirements of IFRS 3, IFRS 10, IFRS 13, IAS 36, IAS 37, IAS 12, and IAS 8 were systematized, and practical mechanisms for their application in accounting for corporate reorganization processes were substantiated. As a result, methodological approaches to fair value measurement of assets and liabilities, recognition of goodwill or gains from bargain purchases, impairment assessment, deferred tax accounting, and the preparation of consolidation adjustments were further developed and refined.

The implementation of the scientific approach and methodological recommendations proposed in this study will contribute to enhancing the reliability, transparency, and comparability of accounting information related to corporate reorganization processes, improving the quality of financial reporting, and strengthening the information base required for effective managerial decision-making.

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