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PROBLEMS OF FINANCIAL REPORTING IN THE DIGITAL ECONOMY

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Abstract

Financial reporting should be simple and understandable, adapted for its users. Economic literature often emphasizes the necessity of using foreign accounting standards to regulate the accounting system. However, such views are not entirely applicable to our regional specificities, as a certain accounting system has already been established in our Republic.

Keywords: Financial reports, accounting, standards, period costs, funds, property value, doubtful debts, transnational companies, inventory

Introduction

In the context of the digital economy, there is a need to transition to the accounting system used in international practice, taking into account the specifics of our national economy. In other words, a market economy demands the integration of accounting with international standards. Therefore, it is a requirement of the time to set uniform minimal requirements for the volume, content, and format of financial information to be disclosed to users, as well as for the audit of financial statements. As stated, "It is necessary to create an entire system that ensures the application of standards, adapting them to the demands of life. Standards cannot stand still; they must take into account all changes and needs in the economy and promote progress. Therefore, emphasizing that accounting and reporting reform is an important element of the transition to a market economy, it is essential to coordinate, organize, and publish the rules and approaches for forming enterprises' accounting reports to protect the interests of owners and investors" [7].

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Literature Review

Financial reporting should be simple and understandable, adapted for its users. Economic literature frequently mentions the necessity of using foreign accounting standards to regulate the accounting system. Such views are not entirely applicable to our regional specificities, as a certain accounting system has already been established in our Republic. In foreign countries, each country uses its national standards. These standards reflect the specific characteristics of the country's national economy, as financial and economic transactions are interpreted differently in various countries [4].

All countries follow to general principles of accounting. The Law "On Accounting" and other regulatory documents adopted in our Republic, including national standards, have been developed based on these principles. To date, significant work has been done to develop and implement national accounting standards. We believe that good results will be achieved if future work on developing new national standards continues based on objective reality and taking national characteristics into account [8].

Research Methodology

The research employs qualitative and quantitative methods. For qualitative analysis, interviews with experts, document analysis, and case studies are used. In quantitative analysis, accounting efficiency is assessed through surveys, statistical data, and regression analysis. Data is analyzed using ERP systems, SPSS, and Python.

Analysis and Results

Based on research into financial accounting problems, specifically a review of several audit reports from auditing firms in Andijan region and familiarization with the organization of accounting in joint ventures, scholars acknowledge that problems exist in the following areas regarding financial accounting and financial statement preparation:

* Differences in balance sheet preparation: In enterprises with foreign investment, the balance sheet is prepared differently by local and foreign accountants, and in most cases, they do not reconcile;

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* Conflicting views on cost composition: Consequently, there are conflicting views between our Republic's investors and foreign partners regarding the composition of costs included in the cost of production and the procedure for forming financial results;
* Fluctuations in cost of production: Varying methods for calculating depreciation of fixed assets and continuous changes in valuations lead to sharp fluctuations in the cost of production;
* Low efficiency of financial control: The effectiveness of organizing financial control is low, among other issues.

At first glance, one might think that all legal frameworks for solving the above problems have been developed in the country, and it is sufficient to simply follow them. Indeed, the new regulation and national standards address the first and second problems mentioned, while national standards could address the third and fourth.

Emergence of new expense items in period expenses

EXPENSES	2020YEAR	2021 YEAR	2022 YEAR	2023 YEAR	2024 YEAR
Mobile communication service	2543,7	3806	6100	3347	956,9
Internet service	-	-	100	132	245
Allocations to funds	10850,9	9790,8	34805,2	114397,6	111450
Losses on doubtful debts	-	4542,1	-	2021,2	66827,3

However, the practice of joint ventures shows that the financial accounting problems in these enterprises primarily stem from the differing principles of financial accounting and reporting between the two partner sides.

This implies that the existing regulation and guidelines need further clarification and, if necessary, amendments.

- Currency transactions in international relations;
- The emergence of new economic conditions.

The problems are also related to factors that influence the composition of income and expenses and their reflection in financial statements.

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Another aspect of the issue at hand is the importance of legal regulation of accounting in resolving financial accounting and reporting problems.

The legal regulation of accounting, based on the influence of different areas of legislation in all countries, can be divided into two groups:

1. Countries with strictly and comprehensively developed laws.
2. Countries with a general legal direction in their legislation.

In countries belonging to the first group, laws are drafted with a "you are obligated" characteristic. Individuals and legal entities must fully comply with the law. In such countries, accounting standards are developed based on legislation. Accounting is carried out in a detailed manner and is strictly controlled. The main task of accounting in these countries is to correctly calculate and ensure the timely and full payment of state taxes.

Examples of such countries include Germany, France, and Argentina [6].

In countries of the second group, laws express the meaning of "you are not permitted." Laws indicate the boundaries within which individuals and legal entities can operate. Accounting standards in these countries are developed not by the state but by various professional organizations. The USA and the United Kingdom are clear examples of such countries [2].

Accounting is shaped by the level of existing social and economic conditions, the development of production, and the level of training of specialists in the management and financial system. These conditions are interconnected. Mature accounting specialists are required to manage high-level production accounting. If a country does not facilitate the training of mature accountants, accounting in that country will not develop. The same can be said about financial information consumers. The processing and delivery of financial information to consumers should be organized considering the professional culture, education, and level of information reception of the consumers. Large transnational companies have opened their main management offices in developed countries. In these countries, the accounting system is well-developed, and skilled specialists are available.

In rapidly developing economies, there is often a lack of robust systems and sufficiently knowledgeable personnel to account for economic changes. The accounting system often lags behind economic growth. Through a review of

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specialized literature, examples of such countries include Taiwan, South Korea, and Brazil [1].

Conclusion and Recommendations

In seeking solutions to the problems raised in this article, our look back at the history of international accounting development simply emphasizes that there is no need to reinvent what is already known. Adhering to this principle, we believe it is appropriate to identify ways to solve the problems faced by our country's accountants in maintaining financial accounts and preparing reports, based on international accounting standards.

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