



INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR ACCOUNTING FOR INVESTMENTS

Khasanova Khusnora Fakhriddinovna

PhD student, Tashkent State University of Economics, Tashkent Uzbekistan

xusnora4843@gmail.com

Abstract. *The article is devoted to the analytical assessment of the impact of the macroeconomic policy on the market of investment in Uzbekistan and the role of this market in the national economy, as well as solving the problems of evaluating the using of IFRS in organizations operations.*

Keywords: *capital market, consolidation methodology, financial statements, accounting of investments.*

Introduction.

The development of international trade, the emergence of various companies, the globalization of the capital market, the globalization of economic processes and information technologies have created the need to harmonize the financial statements of companies from different countries. In recent years, the processes of international harmonization of financial statements have accelerated significantly. Interest in the introduction and application of international financial reporting standards (IFRS) is growing in Uzbekistan. This is one of the most important factors in improving the efficiency of corporate management and investment attractiveness, ensuring business competitiveness and transparency. In recent months, due to the coronavirus pandemic, the governments of many countries have adopted restrictive measures that affect the operations and financial statements of all companies in one way or another. In this research work, we try to consider the impact and consequences of the pandemic to prepare the financial statements based on the current provisions of the IASB.

Decision No. PD-4611 of the President of the Republic of Uzbekistan on February 24, 2020 "On additional measures for the transition to international standards of financial reporting" was adopted¹. This decision laid the groundwork for the beginning of a new stage in the history of the transition to IFRS in the Republic of Uzbekistan. The adopted document requires a radical revision of the process of transition of business entities to IFRS, that is:

1. Starting from the end of 2021, a list of persons who will prepare financial statements on the basis of IFRS in a mandatory manner has been determined. It includes joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers. They must:

From January 1, 2021, organization of accounting on the basis of IFRS;

Sufficient provision of accounting service personnel for quality application of IFRS.

The State Assets Management Agency of the Republic of Uzbekistan ensures that the transition schedule for accounting and preparation of financial statements of economic societies and state-owned enterprises with state shares is approved annually and published on its official website by June 1.

¹<https://lex.uz/docs/4746047>. Decision PQ-4611 of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting". National database of legal documents, 25.02.2020, No. 07/20/4611/0209, 31.10.2020, No. 06/20/6098/1432; 08/23/2021, No. 06/21/6280/0811



2. The Ministry of Finance was designated as the competent authority for the introduction of the IFRS. For the performance of the relevant functions, a department for coordination of the introduction of international standards of financial reporting and external control of the quality of published financial reports was established within the ministry.

Main discussions

This document envisages a strictly new integrated approach to the training of national personnel, taking into account the training of a sufficient number of qualified specialists with the necessary knowledge and skills².

One of the most important steps in the process of globalization of financial reporting is the establishment of the requirements of uniform standards related to the accounting of joint activities and consolidation methodology, as well as the requirements for the disclosure of information about the company's investments.

The use of financial statements prepared according to national accounting standards (BHMS) valid in the Republic of Uzbekistan cannot fully guarantee that foreign investors will fully understand all aspects of the financial and production activities of companies in Uzbekistan.

Financial information is the most important tool for making economic decisions, and in addition to the ability to attract investment for a company, the value of the capital involved also depends on its quality. Today, information has become the most valuable resource. In the competition for financial resources, only companies that can provide investors with broad, complete, understandable and reliable information about their financial situation will have an advantage.

Currently, IFRS is better served for these purposes than NAS. One of the separate parts of the IFRS is the investment account.

Investment accounting is one of the most complex aspects of modern international accounting and financial accounting, as well as unregulated aspects of national and including international standards.

In the article of Yu.V. Klimov, the concept of "investment accounting" is expressed as follows: "Establishment of requirements of uniform standards related to accounting of joint activities and methods of consolidation, as well as requirements for disclosure of information about company investments is one of the most important stages in the process of globalization of financial reporting. In order to eliminate the inconsistency of approaches to the existing consolidation presented in the review of IAS 27* and SIC 12*, as well as differences in the accounting of shares in joint ventures according to IAS 31*, the IFRS Board issued IFRS 10 "Consolidated financial reporting", IFRS 11 "Agreement on joint activities", IFRS 12 "Disclosure of information on shareholding in other companies" standards were adopted, which include the organization's disclosure of information to other companies (subsidiaries, joint ventures, affiliated entities) represents a new unified standard that includes requirements for disclosure of information about relations with companies and other non-consolidated entities³.

Based on the tasks of forming reliable information in crisis situations, among the common problems are IFRS 3, IFRS 10, IFRS 11, IFRS 12, IAS 24, IAS 27, IAS28, IAS 36 requirements were highlighted as a priority and briefly covered.

²https://www.norma.uz/novoe_v_zakonodatelstve/perehod_na_mejdunarodnye_standarty_finansovoy_otchetnosti_v_uzbekistane_budet_uskoren. The transition to IFRS in Uzbekistan will be accelerated.

³Three investments: new requirements MSFO 10, MSFO 11, MSFO 12. Yu. V. Klimova. Article. 2011



O.V. Burlakova stated in her research that according to IAS 27 paragraph 4 and IAS 28 paragraph 2, a consolidated financial statement is a financial statement of a group, which appears to be prepared by a single economic organization. Here it is necessary to pay attention to the phrase "financial statement of the group". Further, in the research work, the group is defined as follows: "A group is a parent organization together with its subsidiary organizations."

Economist S. Tashnazarov stated that today companies have objective needs to prepare their financial reports based on International Financial Reporting Standards (IFRS). The procedure for applying IFRS was introduced in accordance with the law. In order to enter the world market, obtain an international loan, and attract foreign investments, it is appropriate to draw up a financial report according to the financial statements. In our country, the number of companies preparing financial reports on the basis of their financial statements is increasing. Because it will be possible to achieve an increase in the transparency of financial reporting only by transitioning to MHSS. Therefore, the use of documents and advanced instruments and experiences developed by international organizations is one of the urgent issues on the agenda.⁴

Economist O.Avazov described it as follows: In the conditions of rapid economic development, correctness and objectivity of information about them is important in the economic relations between business entities. Business entities receive information about entities with which they have economic relations from financial statements. Business entities with several branches or subsidiaries prepare and present consolidated financial statements.⁵

In our opinion, a consolidated financial statement is a report in which the income, expenses, property and liabilities of the main enterprise and the enterprises controlled by it are represented as the income, expenses, property and liabilities of a single enterprise.

The number of IFRS standards used for the preparation of the report in the group belonging to parent companies controlling subsidiary companies is 8. According to the decision PD-4611 "On additional measures for the transition to international standards of financial reporting", despite the coordination of BHMS and MHXS, which were officially announced, there are significant differences between them⁶. These differences relate not only to certain standards of accounting, but also to the concepts of creating financial documents. The main differences between IFRS and NAS are the purposes of financial reporting. According to the IFRS, the purpose of the report is to disclose accounting and management information to investors and creditors. This information directly affects the quality of the organization's management accounting and investment decisions. The purpose of the report prepared in accordance with NAS is to check tax documents by the supervisory authorities. Differences in objectives and users inevitably lead to systematic differences in the principles of financial reporting. Below we provide a comparison chart of the differences between IFRS and NAS in investment accounting.

⁴S. Tashnazarov. Necessity, nature and stages of transformation of financial reporting according to IFRS. Scientific electronic magazine "Economy and innovative technologies". No. 3, May-June, 2017. http://iqtisodiyot.tsue.uz/sites/default/files/maqolalar/3_S_Tashnazarov.pdf

⁵O. Avazov. Obtaining and improving audit evidence in the examination of consolidated financial statements. <https://cyberleninka.ru/article/n/t-plash-and-its-improvement>

⁶Decision PD-4611 of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting". National database of legal documents, 25.02.2020, No. 07/20/4611/0209, 31.10.2020, No. 06/20/6098/1432; 08/23/2021, No. 06/21/6280/0811 www.lex.uz



Table 1

Comparison chart of differences between IFRS and NAS in investment accounting⁷

IFRS,IAS	Brief description	NAS
IFRS 3“Business combinations”	Defines the requirements for reflecting the financial merger of enterprises by the acquisition method.	
IFRS 10“Consolidated Financial Statements”	Makes recommendations on the minimum requirements for the structural structure and content of the consolidated financial statements.	NAS 8 “Consolidated financial statements and accounting for investments in subsidiaries”
IFRS 11“Agreements on joint activities”	Defines the principles of preparation and presentation of financial statements of organizations participating in jointly controlled business activities (i.e., joint ventures).	
IFRS12“Disclosure of shares in other organizations”	Shareholder is used by participating organization	
IAS24 “Disclosure of information about related parties”	It requires disclosures about related party relationships and practices, the balance of related parties in such practices, the degree of involvement, and explains the disclosure requirements about related parties and practices between them.	
IAS 27“Separate financials tatements”	In the preparation of a separate financial report by the organization, it determines the rules for accounting of investments made in organizations to subsidiaries, joint ventures and organizations under the influence and disclosure of relevant information about them.	
IAS 28“Investments in affected entities and joint ventures”	It clarifies the procedure for accounting for investments made by the affected entities under the equity method of joint ventures, and also defines the scope of companies that are required to disclose such information in their reports.	
IAS36“Impairment of assets”	Defines the procedure that organizations must use when accounting for assets and reflecting them in calculations so that the book value of assets does not exceed the recoverable amount.	

⁷ Author development.



So, from the above table, the differences between IFRS and NAS can be clearly seen. In the Republic of Uzbekistan, a formal approach based on many rules and guidelines is still preserved in consolidated financial reporting. These rules and guidelines do not allow the accountant to show flexibility in evaluating the company's activities (Table 1).

In the case of investments in other companies, the definition of accounting rules given above is used in the consolidated financial statements.

The application of those considered in this scientific work applies to the financial statements of almost all companies.

Today, the questions of theory, methodology and organization of reporting in joint-stock companies in the field of energy remain unanalysed, the subject, tasks, and content of presentation of the consolidated report do not have a scientific basis.

First of all, it is necessary to pay attention to the description of the consolidated financial report, its understanding in the scientific works of domestic and foreign scientists, and the adoption of a clear decision with the differences of the consolidated financial report.

For the first time, the consolidated report was distinguished as a subsystem of accounting by Professor V.S. Plotnikov, who expressed it as follows: "We apply another concept of "consolidated report", but we consider the consolidated report not as a separate type of report, but as a section of the financial report".⁸

S.I. Puchkova in her article "On the account of investments in the consolidated report" points out for the first time that there are not only quantitative, but also qualitative factors in determining the position of the company and the method of including it in the consolidated report. The author notes that the "firm cost" is derived as "the sum of the increase of the price above the price, if it is not included in any other type of cost." S.I. Puchkova touched upon the specific issues of compiling the consolidated report, but did not pay attention to the consideration of the specific rules of its compilation.

S.I.Puchkova and V.D.Novodvorsky made a great contribution to the development of consolidated accounts and reports, they not only gave the basic definitions, but also cited the foundations of consolidated reports and consolidation procedures. These authors were the first to point out that it is wrong to consider "combined" and "consolidated" reports as synonyms⁹. However, in these studies, we do not see how the investment account is presented in the consolidated financial statements.

V. V. Paliy paid great attention to the consideration of the rules of consolidation in his work entitled "Consolidated report: account of transactions related to the merger of enterprises". In particular, he considered the "balance payment on the number of mutual settlements between the main enterprise and subsidiaries"¹⁰.

Authors V.V. Pali and V.F. Pali's book "Financial Accounting" considered consolidation methods on the basis of international standards. However, in our opinion, the authors lack a sufficiently detailed presentation of the theoretical foundations of consolidation, which is absolutely necessary to understand such a process.

⁸Plotnikov, B.C., Shestakova, V.V. Financial and management accounting in holdings / B.C. Plotnikov, V.V. Shestakova. - M.: ID FBK - PRESS, 2004. - p. 336., p. 98.

⁹Medvedeva Natalia Vladimirovna "Consolidated reporting in organizations of the oil and gas industry". 2009

¹⁰<https://base.garant.ru/979020/>. Management accounting - a new reading of intraeconomic calculation. V.V. Paly, V.F. Paliy, "Accounting", No. 17, 2000



L. Z. Shneidman¹¹ is one of the authors who most consistently tried to explain the theory of creating a consolidated report. In his book "Consolidated Accounting Statement", he covered many issues related to the preparation of consolidated financial statements. The author pays special attention to such concepts as "group", "collective report". Relying on international standards, it reveals many features of accounting for the consolidation of companies. However, LZ Shneidman in his research did not research the subjects of consolidation as jointly operating or jointly controlled companies as stipulated by international standards.

O.V. Burlakova defines the consolidated financial report as "a unified system of indicators, according to certain rules, describing the property and financial status of the group of legal entities operating as jointly controlled entities, as well as the financial results for the reporting period as of the reporting date."¹²

Z.M. In his research, Aliyev states the following: "The Board of the IFRS explains its decision by the fact that the report (including the consolidated financial report) contains information necessary for making reasonable economic decisions, that is, information about the financial condition of the company (group of companies), financial results of its activities must meet the needs of a wide range of users. In addition, if the financial indicators of a company whose activity is different from the activities of other companies within the group are significantly large, the exclusion of such a company from the perimeter of consolidation may have a negative impact on the economic decisions made by users of financial statements, that is, the consequence of this may be a violation of the objectives of consolidated financial statements"¹³.

V.M. According to Golikov, the consolidated financial report is a much broader concept compared to the accounting (financial) report of individual organizations with a limited number of owners, a simple management system, and a narrow scope of activity in terms of size, composition, content and importance. Consolidated reporting in many cases has a transnational character, and that is why it is required to regulate it at the international level¹⁴.

E. Yu.Volkova In her scientific work, Volkova states that the consolidated report is a financial report formed by combining financial and non-financial information of group members based on the principles, requirements, and assumptions of international standards, which discloses information about financial and economic activities and allows to imagine the consolidated group of enterprises as a single economic entity¹⁵.

Economist O. Sobirov said that keeping financial statements at the level of international standards (ISMS) in all economic entities of our republic will lead to an increase in the volume of foreign investments in the economy¹⁶.

¹¹<https://base.garant.ru/989516/>. How to use International Financial Reporting Standards. L.Z. Shneidman, "Accounting", No. 11. 2001

¹²O.V. Burlakova "Modern methodological problems of consolidated accounting". -M.: Accounting. -2008.- p.368.

¹³Z.M. Aliyev. "Formation of consolidated financial statements of holdings in accordance with international financial reporting standards." Abstract. -2011.-p.4.

¹⁴Golikov Viktor Mikhailovich "Organization and methodology of the audit of consolidated financial statements prepared in accordance with IFRS". Abstract. 2007 p.15.

¹⁵V.E Yurievna. "Formation and analysis of the consolidated financial statements of a group of companies." Abstract.2010. page 10.

¹⁶O. Sobirov. Improvement of financial reports to the level of international standards. "International finance and accounting" scientific journals. No. 3, June, 2021 ISSN: 2181-1016



The term "financial statement" also includes accounting statement information. The consolidated financial report is considered as a type of accounting report designed to describe the financial results and financial status of the activities of the group, economic entities based on control relations.

Conclusions

In our opinion, many practical issues regarding the formation of consolidated financial statements in scientific research are still open or have not been considered, including the characteristics of accounting for investments in the energy industry.

Based on the above, we consider investment accounting as a very big and urgent issue in the energy sector. All methods of consolidation should be clearly reflected in the consolidated financial report. And, of course, it is impossible to forget the accounts used in the accounting of investments in the consolidated financial statements in accordance with the IFRS.

List of references

1. <https://lex.uz/docs/4746047>. Decision PQ-4611 of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting". National database of legal documents, 25.02.2020, No. 07/20/4611/0209, 31.10.2020, No. 06/20/6098/1432; 08/23/2021, No. 06/21/6280/0811
2. https://www.norma.uz/novoe_v_zakonodatelstve/perehod_na_mejdunarodnye_standarty_finansovoy_otchetnosti_v_uzbekistane_budet_uskoren. The transition to IFRS in Uzbekistan will be accelerated.
3. Three investments: new requirements MSFO 10, MSFO 11, MSFO 12. Yu. V. Klimova. Article. 2011
4. S. Tashnazarov. Necessity, nature and stages of transformation of financial reporting according to IFRS. Scientific electronic magazine "Economy and innovative technologies". No. 3, May-June, 2017.
http://iqtisodiyot.tsue.uz/sites/default/files/maqolalar/3_S_Tashnazarov.pdf
5. O. Avazov. Obtaining and improving audit evidence in the examination of consolidated financial statements. <https://cyberleninka.ru/article/n/t-plash-and-its-improvement>
6. Decision PD-4611 of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting". National database of legal documents, 25.02.2020, No. 07/20/4611/0209, 31.10.2020, No. 06/20/6098/1432; 08/23/2021, No. 06/21/6280/0811 www.lex.uz
7. Plotnikov, B.C., Shestakova, V.V. Financial and management accounting in holdings / B.C. Plotnikov, V.V. Shestakova. - M.: ID FBK - PRESS, 2004. - p. 336., p. 98.
8. Medvedeva Natalia Vladimirovna "Consolidated reporting in organizations of the oil and gas industry". 2009
9. <https://base.garant.ru/979020/>. Management accounting - a new reading of intraeconomic calculation. V.V. Paly, V.F. Paliy, "Accounting", No. 17, 2000
10. <https://base.garant.ru/989516/>. How to use International Financial Reporting Standards. L.Z. Shneidman, "Accounting", No. 11. 2001
11. O.V. Burlakova "Modern methodological problems of consolidated accounting". -M.: Accounting. -2008.-p.368.
12. Z.M. Aliyev. "Formation of consolidated financial statements of holdings in accordance with international financial reporting standards." Abstract. -2011.-p.4.



13. Golikov Viktor Mikhailovich "Organization and methodology of the audit of consolidated financial statements prepared in accordance with IFRS". Abstract. 2007 p.15.
14. V.E Yurievna. "Formation and analysis of the consolidated financial statements of a group of companies." Abstract.2010. page 10.
15. O. Sobirov. Improvement of financial reports to the level of international standards. "International finance and accounting" scientific journals. No. 3, June, 2021 ISSN: 2181-1016